

United States
Circuit Court of Appeals
For the Ninth Circuit.

NELSON TAYLOR, J. R. MASON, GILBERT
MOODY, and N. O. BOWMAN,
Appellants,

vs.

PROVIDENT IRRIGATION DISTRICT,
Appellee.

Transcript of Record

Upon Appeal from the District Court of the United
States for the Northern District of California,
Northern Division.

FILED

JUN - 8 1941

PAUL P. O'BRIEN,
CLERK

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[Clerk's Note: When deemed likely to be of an important nature, errors or doubtful matters appearing in the original certified record are printed literally in *italic*; and, likewise, cancelled matter appearing in the original certified record is printed and cancelled herein accordingly. When possible, an omission from the text is indicated by printing in *italic* the two words between which the omission seems to occur.]

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Attorney for Appellants:

W. COBURN COOK, Esq.,
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Attorney for Appellee:

GEORGE R. FREEMAN, Esq.,
Willows, Calif.

In the District Court of the United States for the
Northern District of California, Northern Division.

In the Matter of
Provident Irrigation District

PETITION FOR CONFIRMATION OF
COMPOSITION

To the Honorable Martin I. Welch, Judge of the
District Court of the United States in and for
the Above Named District:

The petition of Provident Irrigation District,
hereinafter referred to as "Petitioner" respectfully
represents:

I.

That Petitioner is an irrigation district duly organized in the year 1918 under and in accordance with that certain act of the legislature of the State of California, designated as the "California Irrigation District Act," approved March 31, 1897,

(California Statutes, 1897, page 254) as amended; [1*] that Petitioner was organized and exists for the purpose of constructing, improving, maintaining and operating certain improvements and projects devoted chiefly to the improvement of lands within its boundaries for agricultural purposes, to-wit, the supplying of water for the irrigation of said lands, and providing for the drainage of such lands where necessary; that the lands within the boundaries of said Petitioner comprise approximately 12,881.27 acres of land, located in the Counties of Glenn and Colusa, State of California, and all within the Northern Division of the Northern Judicial District of California; that the office of Petitioner is located in the Masonic Temple Building in the City of Willows, County of Glenn, State of California, and that this petition is filed pursuant to the provisions of Chapter IX of the Act entitled "An Act To Establish A Uniform System of Bankruptcy Throughout The United States," approved July, 1898, as said Act has been amended and is now in effect.

II.

That Petitioner did in the year 1918 issue its First Issue of bonds in the total principal amount of \$1,000,000.00, all dated August 15, 1918, and scheduled to mature serially in various amounts on the 15th day of August, in each of the years 1930 to 1949, both inclusive; that Petitioner did in the

*Page numbering appearing at foot of page of original certified Transcript of Record.

year 1921 issue its Second Issue of bonds in the total principal amount of \$190,000.00, all dated August 9, 1921, and scheduled to mature serially in various amounts on the 1st day of July in each of the years 1922 to 1933, both inclusive; that all of said foregoing bonds issued by Petitioner bear interest at the rate of 6 per centum per annum, evidenced by coupons attached to the respective bonds and payable semi-annually on the first day of January and the first day of July of each year; and that all of said indebtedness, including the interest thereon, is payable from revenue derived from annual assessments upon the [2] lands within the boundaries of Petitioner, except that the Board of Directors of Petitioner may, in lieu (either in whole or in part) of levying assessments for said purpose, fix and collect rates of tolls or charges for the use of water or any other public use of which Petitioner is in charge.

III.

That the present outstanding and unpaid bonded indebtedness of Petitioner is in the total principal amount of \$957,000.00, evidenced by bonds of the First Issue in the principal amount of \$946,000.00 and by bonds of the Second Issue in the principal amount of \$11,000.00; and that bonds of said First Issue in the total amount of \$330,000.00 have matured and have not been paid and bonds of said Second Issue in the total principal amount of \$11,000.00 have matured and have not been paid, and

certain interest coupons appertaining to bonds of said First Issue in the total amount of \$414,142.50 have matured and have not been paid, and certain interest coupons appertaining to bonds of said Second Issue in the total amount of \$1,050.00 have matured and have not been paid, making a total of matured unpaid principal in the sum of \$341,000.00 and matured unpaid interest coupons in the total amount of \$415,192.50.

IV.

That on account of the adverse agricultural conditions and general depression which prevailed during the greater part of the past ten years, the market value of farm products produced within Petitioner was generally less than the cost of production; that farming operations therein have been unprofitable; and the installments of taxes and tax obligations levied upon the real property within Petitioner and falling due in such period were greater than the ability of the lands to produce, or the owners to pay. That, by reason of the inability of petitioner to collect sufficient taxes to meet its obligations, it has been and now is insolvent and unable to meet its debts as they have matured or will [3] mature, making it imperative that it effect a composition of its debts pursuant to the above mentioned Act: that Petitioner desires to effect a plan of composition of its aforesaid indebtedness, which said plan of composition has been proposed, prepared and

adopted by the Board of Directors of Petitioner in and by a certain resolution adopted by said Board of Directors on the 6th day of January, 1940, a certified copy of which said resolution is hereto attached and marked "Exhibit A" and hereby made a part of this petition and filed and submitted herewith.

V.

That creditors of the Petitioner owning not less than 51 per centum, to-wit, more than 80 per centum, in amount of the securities affected by said plan of composition, excluding securities or any other indebtedness whatever owned, held or controlled by Petitioner, have accepted in writing Petitioner's aforesaid plan of composition.

VI.

That on the 20th day of January, 1940, a plan for refunding the outstanding bonds of Petitioner was adopted by a resolution of the Board of Directors of Petitioner, which said plan was based on the authorization of a loan from the Reconstruction Finance Corporation, an agency of the United States Government, referred to in "Exhibit A" attached hereto, and which refunding plan provided for the issuance of refunding serial bonds of Petitioner in the total principal amount of \$193,500.00 to bear interest at a rate not to exceed 4% per annum, payable semi-annually January 1st and July 1st of each year, and to mature according to a

schedule satisfactory to the Chief of the Drainage, Levee and Irrigation Division of said Reconstruction Finance Corporation and to be approved by the California Districts Securities Commission. [4]

VII.

That said refunding plan of Petitioner was submitted to said California Districts Securities Commission, as provided in Section 32a of the California Irrigation District Act, and was approved by said Commission by its Order No. 10, dated January 23, 1940, and thereafter at a special election called and held within the boundaries of Petitioner on the 15th day of March, 1940, the issuance of refunding serial 4% bonds in said total principal amount of \$193,500.00 was authorized by the electors thereof.

VIII.

That a list of all known creditors of Petitioner together with their addresses so far as known to Petitioner and a description of their respective securities affected by said plan of composition is attached hereto and marked "Exhibit B" and hereby made a part of this petition; that said list shows separately under the heading "Division A" the names of the creditors of Petitioner who have accepted said plan, together with their separate addresses and a description of their respective securities affected by said plan, and that said list shows separately, under the heading "Division B", so far

as known to your Petitioner, the names of those creditors of Petitioner who have not accepted said plan, together with their separate addresses and a description of their respective securities affected by said plan, and that said list also shows separately, under the heading "Division C", a description of the securities affected by said plan but whose owners are unknown to Petitioner; that all claims are payable from assessments levied against the lands within Petitioner and are of a single class.

IX.

That the California Districts Securities Commission is an agency of the State of California authorized to exercise [5] supervision and control over the fiscal affairs of Petitioner, as appears from the Act of the Legislature of the State of California creating said Commission, which said Act is designated as "The California Districts Securities Commission Act", approved June 19, 1931 (California Statutes 1931, page 2263) as said Act has been amended and is now in effect; that Petitioner heretofore submitted to said California Districts Securities Commission its aforesaid plan of composition and said Commission by its Order No. 11, dated March 15, 1940, approved said plan and the filing of this petition; that a copy of said order is attached hereto marked "Exhibit C" and hereby made a part of this petition.

X.

That this petition is filed by authority of a resolution adopted by the Board of Directors of Petitioner on the 3rd day of February, 1940, and that a certified copy of said resolution is hereby attached and marked "Exhibit D" and hereby made a part of this petition.

XI.

That the offer of said plan of composition by Petitioner and its acceptance aforesaid were and are in good faith; and said plan is fair, equitable and for the best interests of the creditors of Petitioner and does not discriminate unfairly against any creditor or class of creditors, and that Petitioner is authorized by law to take all action necessary to be taken by it to carry out said plan if and when the same shall have been confirmed by this Court.

XII.

That the plan of composition proposed herein contemplates paying and the Petitioner should be permitted to pay, the reasonable cost of maintaining and operating its system of irrigation and drainage improvements during the pendency of this [6] proceeding, together with the necessary court costs and a reasonable fee to counsel representing Petitioner, the amount thereof to be determined by the Court.

Wherefore, Petitioner prays:

1. That an order be entered approving this petition as properly filed under said Chapter IX of the said Bankruptcy Act;

2. That an order be entered fixing a time and place for a hearing on the petition, and providing that notice be given to creditors as provided in said Chapter IX of said Bankruptcy Act and prescribing the form of such notice, and specifying the manner in which claims and interests of creditors shall be filed or evidenced.

3. That an order be entered directing all creditors of Petitioner who have not accepted said plan of composition to appear in the above entitled court after such notice as the Court may prescribe, at a time to be fixed in said order and then and there to show cause, if any they may have, why the court should not enjoin or stay, pending the determination of this matter, the commencement or continuation of suits against the Petitioner, or any officer or inhabitant thereof, on account of the securities affected by said plan, or to enforce any lien or to enforce the levying of taxes or assessments for the payment of obligations under any such securities, or any suit or process to levy upon or enforce against any property acquired by Petitioner through foreclosure of any tax lien or special assessment lien; and who an interlocutory decree should not be entered as provided in said Chapter IX of said Bankruptcy Act;

4. That when Petitioner shall have complied with the requirements by it to be performed under and by said interlocutory decree, a final decree be entered discharging the Petitioner from all debts and liabilities dealt with in the plan, except as provided therein, and adjudging that the plan is binding upon all the creditors affected by it; [7]

5. That the court make such further orders and decrees and grant such further relief in the premises as may be deemed just and equitable.

PROVIDENT IRRIGATION
DISTRICT,

By W. L. FOX

By

President of its Board of Directors.

By BLANCHE COVERT

Secretary of its Board of Directors.

GEORGE R. FREEMAN

ELMER LAINE

Attorneys for Petitioner.

State of California,

County of Glenn—ss.

Blanche Covert, being first duly sworn, deposes and says:

That she is Secretary of the Provident Irrigation District the petitioner herein and makes this verification on behalf of said District; that she has

read the foregoing petition and knows the contents thereof; that the same is true of her own knowledge except as to those matters which are therein stated on information and belief, and as to those matters that she believes it to be true.

BLANCHE COVERT

Subscribed and sworn to before me this 28th day of May, 1940.

[Seal]

LOUISE REESE JOHNSON

Notary Public, Glenn Co., Calif. [8]

EXHIBIT "A"

RESOLUTION OF THE BOARD OF DIRECTORS OF THE PROVIDENT IRRIGATION DISTRICT PROPOSING AND ADOPTING A PLAN OF COMPOSITION OF THE OUTSTANDING INDEBTEDNESS OF SAID DISTRICT

Adopted January 6, 1940.

Whereas, the Provident Irrigation District in the Counties of Glenn and Colusa, State of California, was organized in May, 1918, comprising approximately 22,805 acres, and ever since has existed under that certain act of the legislature of the State of California designated as the California Irrigation District Act and said District was formed and exists for the purpose of supplying water for the irrigation of the lands within its boundaries and

providing for the drainage of such lands where necessary; and

Whereas, said District did in the year 1918 issue its First issue of bonds in the total principal amount of \$1,000,000.00, all dated August 15, 1918, and scheduled to mature serially in various amounts on the 15th day of August in each of the years 1930 to 1949, both inclusive; and

Whereas, said District did in the year 1921 issue its Second Issue of bonds in the total principal amount of \$190,000.00, all dated August 9, 1921, and scheduled to mature serially in various amounts on the 1st day of July in each of the years 1922 to 1933, both inclusive; and

Whereas, all of said foregoing bonds bear interest at the rate of 6 per centum per anum, evidenced by coupons attached to the respective bonds and payable semi-annually on the first day of January and the 1st day of July of each year; and

Whereas, the present outstanding and unpaid bonded indebtedness of said District is in the total principal amount of \$957,000.00, evidenced by bonds of the First Issue in the principal amount of \$946,000.00 and by bonds of the Second Issue in the principal amount of \$11,000.00; and [9]

Whereas, bonds of said First Issue in the total principal amount of \$350,000.00 have matured and have not been paid and bonds of said Second Issue in the total principal amount of \$11,000.00 have matured and have not been paid, and certain interest coupons appertaining to bonds of said First

Issue in the total amount of \$414,142.50 have matured and have not been paid, and certain interest coupons appertaining to bonds of said Second Issue in the total amount of \$1,050.00 have matured and have not been paid, making a total of matured unpaid principal in the sum of \$341,000.00 and matured unpaid interest coupons in the total amount of \$415,192.50; and

Whereas, said District has been unable to obtain sufficient revenue to enable it to pay any of the aforesaid matured and unpaid bonds or matured and unpaid interest coupons and said District is now in default in the payment thereof and it will be impossible for said District to obtain sufficient revenue to pay said bonds and coupons and said District is unable to meet its aforesaid debts as they mature, and will be unable to meet its aforesaid debts as they will mature from time to time hereafter; and

Whereas, in an effort to relieve such condition, the District applied to the Reconstruction Finance Corporation, an agency of the United States Government, for a loan for the purpose of reducing and refinancing the outstanding indebtedness of the District as aforesaid, and such a loan in an amount not to exceed \$193,500.00 has been authorized by said Corporation, and said Reconstruction Finance Corporation has prescribed as the basis or ratio for reducing and refinancing said indebtedness from said loan the payment of 20 cents for each dollar of the principal amount of said indebtedness, exclu-

sive of interest, with a provision that the sum of \$2,100.00 of said loan may be used, if necessary, in the payment of expenses incident to such [10] refinancing, and this Board has determined, and hereby finds and declares, that such payments are and will be fair and equitable both to the holders of the outstanding bonds and coupons of said District and to the owners of lands therein; and

Whereas, this Board of Directors has duly and regularly adopted a resolution accepting said loan and agreeing to carry out the terms and conditions of the resolution of the Reconstruction Finance Corporation evidencing same, one of which is to the effect that the loan will not be fully disbursed until all of said outstanding bonds have been made available for refinancing in accordance with the terms and conditions of said resolution of the Reconstruction Finance Corporation; and

Whereas, pursuant to the terms and provisions of said resolution of the Reconstruction Finance Corporation this Board of Directors has duly and regularly adopted a resolution excluding certain lands from the boundaries of said District and reducing the size of said District to 12,881.27 acres; and

Whereas, a portion only of the outstanding coupons maturing on and prior to the 1st day of January, 1931, have been paid in full;

Now, therefore, be it resolved by this Board of Directors of the Provident Irrigation District that a plan of composition of the aforesaid outstanding

indebtedness of said District be, and hereby is, proposed and adopted by this Board of Directors as follows, to-wit:

That the outstanding indebtedness of the Provident Irrigation District, consisting of its bonds in the principal amount of \$957,000.00 and all unpaid interest accrued and to accrue thereon, be retired by the payment to the respective holders of said bonds of amounts equal to 20 cents for each dollar of principal amount of the bonds held by them respectively, provided that all unpaid interest coupons maturing on or after July 1, 1931, are delivered with said bonds, and provided further, that in case any such bonds shall not be accompanied by any unpaid coupons maturing between July 1, 1931, and August 15, 1939, both inclusive, there shall be deducted from the purchase price of such bond an amount equal to 12.27 cents for each dollar of the face amount of such missing coupon or coupons, and if any such bond shall not be accompanied [11] by all coupons maturing after August 15, 1939, there shall be deducted from the purchase price of such bond an amount equal to the full face value of each such missing coupon, but if any such missing coupon shall be thereafter surrendered or deposited in accordance with this plan the depositor thereof shall be entitled to receive therefor the amount which had been deducted from the purchase price of the bond to which such missing coupon

is appurtenant; and provided, further, that for each coupon maturing on or prior to the 1st day of January, 1931, that may be surrendered or deposited in accordance with this plan, the depositor thereof shall receive the full face value thereof.

That such payments will be made from the proceeds of a loan which has been authorized by the Reconstruction Finance Corporation and which will be disbursed to or for the benefit of the District for the purpose of reducing and refinancing its indebtedness, as provided in the resolution of said Corporation authorizing said loan, except that all payments made on account of coupons maturing on or prior to the 1st day of January, 1931, shall be made from funds of said District other than proceeds of said loan.

That to provide security for said loan this Board shall submit to the qualified electors of said District, as provided by law, a proposal to authorize the issuance of refunding bonds of said District in the total amount of \$193,500.00, said refunding bonds to be obligations only of the lands now remaining in said District after the aforementioned exclusion of certain lands, and to authorize the execution of a contract with the Reconstruction Finance Corporation for the consummation of said loan in accordance with the act of the legislature of California authorizing irrigation districts to cooperate and contract with the United States and to provide for

the borrowing or procuring of money from the United States, or any agency thereof, approved May 5, 1917, as amended from time to time, and particularly as amended by Chapter 615 of the Statutes of 1935, which said refunding bonds shall bear interest at a rate not exceeding four per centum (4%) per annum, payable semi-annually on the first day of January and the first day of July of each year and shall mature according to a schedule satisfactory to the Chief of the Drainage, Levee and Irrigation Division of the Reconstruction Finance Corporation and to the California Districts Securities Commission, and until such refunding bonds are so issued and delivered, said District will pay interest at the rate of four per centum (4%) per annum to said Corporation on the amount or amounts disbursed from said loan from the date or the respective dates of such disbursement until such refunding bonds are so issued and delivered.

If said refunding serial 4 per cent bonds shall be issued and delivered to the Reconstruction Finance Corporation after the date of maturity of any interest coupons attached thereto, all matured coupons shall be detached from said bonds before their delivery, and if said refunding bonds are delivered between any two successive interest payment dates, the accrued interest represented by the earliest matured coupon attached to each of [12] said bonds, shall be in lieu of the payment of interest from the

last interest payment date on any amount disbursed from said loan prior to such interest payment date, or shall be subject to adjustment as may be just in case of any disbursement from said loan after such interest payment date.

I, Blanche Covert, Secretary of the Board of Directors of the Provident Irrigation District, hereby certify that the above and foregoing is a true and correct copy of a resolution duly and regularly adopted by the unanimous vote of the Board of Directors of said District at an adjourned meeting thereof duly and regularly called and held on the 6th day of January, 1940.

[Seal] BLANCHE COVERT
Secretary [13]

EXHIBIT "C"

State of California

California Districts Securities Commission
620 State Building, San Francisco

Order No. 11—Consent to Filing of Petition.

REPORT

To the Board of Directors
of Provident Irrigation District:

Whereas the Board of Directors of Provident Irrigation District on January 2, 1940, adopted a

plan of composition of the outstanding indebtedness of said district; and

Whereas Provident Irrigation District by petition dated February 3, 1940, requested the California Districts Securities Commission to consent to the filing of a petition in the District Court of the United States for the Northern District of California for confirmation of said plan of composition and approval of the expenditures of the estimated costs incident to the proceedings in confirmation; and

Whereas said Board of Directors of Provident Irrigation District has for some years past levied annual assessments upon the lands of said district in accordance with the provisions of Section 11 of the California Districts Securities Commission Act and is under the control and direction of said Commission to the extent provided for under the terms of said Section 11; and

Whereas by its Order No. 10, dated January 23, 1940, to said Board of Directors of Provident Irrigation District, the Commission approved said plan of composition of the outstanding indebtedness of said district as adopted by said Board of Directors on January 2, 1940;

Now, therefore, we, the undersigned Members of the California Districts Securities Commission, in so far as this consent may be necessary under the provisions of said Section 11, make the following report to the said Board of Directors of Provident Irrigation District;

(1) That consent is hereby given to the filing in the District Court of the United States for the Northern District of California of a petition for the confirmation of the plan of composition of outstanding indebtedness of Provident Irrigation District as adopted by the said Board of Directors on January 2, 1940; and

(2) That authorization for the expenditure of the estimated costs incident to the proceedings for the confirmation of said plan of composition by said court, having been heretofore approved by said Order No. 10 of this Commission to said Board of Directors, dated January 23, 1940, is hereby reaffirmed.

CALIFORNIA DISTRICTS
SECURITIES COMMISSION
EARL WARREN
M. J. DOWD
H. E. VOGEL
EDWARD HYATT

Attest:

HARMON S. BONTE
Executive Secretary

Dated: Los Angeles, California, March 15, 1940.

[14]

EXHIBIT "D"

RESOLUTION OF THE BOARD OF DIRECTORS OF PROVIDENT IRRIGATION DISTRICT AUTHORIZING PROCEEDINGS IN THE DISTRICT COURT OF THE UNITED STATES FOR THE CONFIRMATION OF ITS PLAN OF COMPOSITION OF ITS OUTSTANDING INDEBTEDNESS

Adopted February 3, 1940.

Whereas, this Board of Directors has by resolution duly proposed and adopted a plan of composition of its outstanding indebtedness consisting of outstanding bonds in the principal amount of \$957,000.00, and all interest coupons appertaining thereto which are now outstanding and unpaid, and

Whereas, said plan has not been accepted by the holders of all said outstanding bonds and interest coupons and in order to make said plan of composition binding upon such holders of outstanding bonds and interest coupons of said Provident Irrigation District as shall not have voluntarily accepted the same, it will be necessary to commence and prosecute a proceeding in the District Court of the United States for the Northern District of California, for the confirmation of said plan,

Now, therefore, be it resolved by this Board of Directors of Provident Irrigation District that George R. Freeman and Elmer Laine as attorneys for said District be, and they are hereby, authorized and directed to file in the District Court of the

United States for the Northern District of California, a petition, as provided in Chapter IX of the National Bankruptcy Act, for the confirmation of said plan for the composition of its debts and that the President and Secretary of this Board of Directors, or either of them, be, and [15] hereby are, authorized and directed to sign and verify said petition in the name of, and on behalf of said District, and to execute in the name of said District such instruments or documents as may be necessary or proper to obtain the confirmation of said plan.

Be it further resolved that said attorneys and officers be and they are hereby authorized to take such other and further action and proceedings on behalf of this District as may be necessary to obtain the confirmation of said plan.

Be it further resolved that the President and Secretary of this Board of Directors be and they are hereby authorized and directed to make application in writing to the California Districts Securities Commission for approval of the plan of composition heretofore adopted by this Board of Directors and for its consent to the filing of a petition in the District Court of the United States for the Northern District of California for the confirmation of said plan of composition.

I, Blanche Covert, Secretary of Provident Irrigation District, hereby certify that the foregoing is a true and correct copy of a resolution adopted by the Board of Directors of Provident Irrigation Dis-

trict at a special meeting held February 3, 1940, at which all directors were present; that said resolution has not been rescinded or modified and is still in full force and effect.

BLANCHE COVERT

Secretary

[Endorsed]: Filed May 29, 1940. [16]

[Title of District Court and Cause.]

AMENDMENT TO EXHIBIT "B" ATTACHED
TO AND MADE PART OF PETITION FOR
CONFIRMATION OF COMPOSITION

Comes now the petitioner above named and by leave of court first had and obtained files this its amendment to Exhibit "B" attached to and made a part of the Petition for Confirmation of Composition herein:

I.

Division "A" under the sub-head "Bonds With Coupons Attached" of said Exhibit "B" is amended by substituting the name of "Reconstruction Finance Corporation, Washington, D. C." for the name and address of each creditor and their address set out therein.

Division "A" under the sub-head "Bonds With Coupons Attached" of said Exhibit "B" is further amended by adding thereto all of the bonds and coupons listed in Division "B" of said Exhibit "B" as being owned by I. G. Zumwalt, Colusa, Cali-

fornia, Mae Stevenson, [17] c/o Central Bank, Oakland, California, T. A. Farrell, c/o Capital National Bank, Sacramento, California, Calla D. Gilmore, c/o Central National Bank, Oakland, California, Est. of Abbie A. Blake, 170 Woodland Way, Piedmont, California, and by substituting the name of "Reconstruction Finance Corporation, Washington, D. C." for the name and address of each such creditor and their address.

II.

Division "A" under the sub-head "Deposited Coupons Only" of said Exhibit "B" is amended by deleting the same in its entirety.

III.

Division "B" of said Exhibit "B" is hereby amended to read as follows:

BONDS NOT DEPOSITED TOGETHER WITH UNPAID COUPONS

| Name of Creditor and Address | Issue | Number of Bond | Maturity Date | Principal Amount | Numbers of Unpaid Coupons |
|--|-------|-------------------|------------------|---------------------|------------------------------|
| Nelson Taylor | First | 7 | 8/15/30 | \$1000.00 | None |
| c/o Coburn Cook | First | 8 | 8/15/30 | 1000.00 | None |
| Turlock, California | First | 9 | 8/15/30 | 1000.00 | None |
| Gilbert Moody | First | 62 | 8/15/32 | 1000.00 | 26 to 29 inc. |
| Turlock, Calif | First | 94 | 8/15/33 | 1000.00 | 26 to 31 inc. |
| | First | 95 | 8/15/33 | 1000.00 | 26 to 31 inc. |
| James H. Jordan | First | 156 | 8/15/35 | 1000.00 | 26 & all following |
| Riverside, California | First | 157 | 8/15/35 | 1000.00 | 26 & all fol. |
| | First | 158 | 8/15/35 | 1000.00 | 26 & all fol. |
| | First | 159 | 8/15/35 | 1000.00 | 26 & all fol. |
| | First | 160 | 8/15/35 | 1000.00 | 26 & all fol. |
| Est. of G. W. Stim- son, c/o Title | First | 189 | 8/15/36 | 1000.00 | 26 & all fol. |
| | First | 190 | 8/15/36 | 1000.00 | 26 & all fol. |
| Guarantee and Trust Co., Los Angeles, California | | | | | |

| Name of Creditor and Address | Issue | Number of Bond | Maturity Date | Principal Amount | Numbers of Unpaid Coupons |
|--|-------|-------------------|--------------------|----------------------|-------------------------------------|
| J. R. Mason Lake St., San Francisco, Calif. | First | 210 | 8/15/38 8/15/36 | \$1000.00 1000.00 | 26 & all following 26 & all fol. |
| James H. Jordan Riverside, Calif. | First | 265 | | 1.000.00 | 26 & all fol. |
| J. R. Mason | First | 282 | 8/15/38 | 1.000.00 | 26 & all fol. |
| Lake Street | First | 306 | 8/15/39 | 1000.00 | 26 & all fol. |
| San Francisco | First | 307 | 8/15/39 | 1000.00 | 26 & all fol. |
| California | First | 308 | 8/15/39 | 1000.00 | 26 & all fol. |
| | First | 309 | 8/15/39 | 1000.00 | 26 & all fol. |
| | First | 310 | 8/15/39 | 1000.00 | 26 & all fol. |
| E. D. Woodward Russ Building San Francisco, Cal. | First | 437 | 8/15/41 | 1.000.00 | 26 & all fol. |
| James H. Jordan Riverside, Calif. | First | 447 | 8/15/41 | 1000.00 | 26 & all following [18] |
| Henry C. Kraak 728 Alvarado St. Redlands, Calif. | First | 448 | 8/15/41 | 1000.00 | 26 & all following |
| James H. Jordan Riverside, Calif. | First | 449 | 8/15/41 | 1000.00 | 26 & all following |
| A. J. Ronsse c/o Coburn Cook Turlock, Calif. | First | 598 | 8/15/44 | 1000.00 | 26 & all following |
| J. R. Mason | First | 640 | 8/15/45 | 1000.00 | 26 & all following |
| Lake Street | First | 641 | 8/15/45 | 1000.00 | 26 & all following |
| San Francisco, | First | 642 | 8/15/45 | 1000.00 | 26 & all following |
| California | First | 643 | 8/15/45 | 1000.00 | 26 & all following |
| | First | 644 | 8/15/45 | 1000.00 | 26 & all following |
| | First | 645 | 8/15/45 | 1000.00 | 26 & all following |
| | First | 646 | 8/15/45 | 1000.00 | 26 & all following |
| | First | 647 | 8/15/45 | 1000.00 | 26 & all following |
| | First | 648 | 8/15/45 | 1000.00 | 26 & all following |
| | First | 649 | 8/15/45 | 1000.00 | 26 & all following |
| A. J. Ronsse | First | 898 | 8/15/48 | 1000.00 | 26 & all following |
| Mr. Dario Orena | First | 907 | 8/15/48 | 1000.00 | 26 & all following |
| Santa Barbara California | First | 908 | 8/15/48 | 1000.00 | 26 & all following |

| Name of Creditor and Address | Issue | Number of Bond | Maturity Date | Principal Amount | Numbers of Unpaid Coupons |
|--|-------|-------------------|------------------|---------------------|------------------------------|
| James H. Jordan Riverside, Calif. | First | 924 | 8/15/49 | \$1000.00 | 26 & all following |
| Wm. Cavalier Co. Oakland, Calif. | First | 955 | 8/15/49 | 1000.00 | 26 & all following |
| J. W. Zeis | First | 966 | 8/15/49 | 1000.00 | 26 & all following |
| W/o Liberty Bank Redding, California | First | 969 | 8/15/49 | 1000.00 | 26 & all following |
| James H. Jordan Riverside, California | First | 997 | 8/15/49 | 1000.00 | 26 & all following |

[19]

IV.

Division "C" of said Exhibit "B" is hereby amended to read as follows:

BONDS TOGETHER WITH UNPAID COUPONS

| Name & Address of Creditor | Issue | Number of Bonds | Maturity Date | Principal Amount | Numbers of Unpaid Coupons |
|-------------------------------|-------|--------------------|------------------|---------------------|------------------------------|
| Unknown | First | 303 | 8/15/38 | \$1000.00 | 26 & all following |
| Unknown | First | 304 | 8/15/38 | 1000.00 | 26 & all following |
| Unknown | First | 433 | 8/15/38 | 1000.00 | 26 & all following |
| Unknown | First | 435 | 8/15/41 | 1000.00 | 26 & all following |
| Unknown | First | 436 | 8/15/41 | 1000.00 | 26 & all following |
| Unknown | First | 602 | 8/15/44 | 1000.00 | 26 & all following |
| Unknown | First | 603 | 8/15/44 | 1000.00 | 26 & all following |
| Unknown | First | 604 | 8/15/44 | 1000.00 | 26 & all following |
| Unknown | First | 994 | 8/15/49 | 1000.00 | 26 & all following |
| Unknown | First | 995 | 8/15/49 | 1000.00 | 26 & all following |
| Unknown | First | 996 | 8/15/49 | 1000.00 | 26 & all following |

COUPONS ONLY

| Name & Address of Creditor | Issue | Number of Bonds | Number of Coupons | Maturity Date | Face Amount |
|-------------------------------|-------|--------------------|----------------------|------------------|----------------|
| Unknown | First | 6 | 25 | 8/15/30 | \$7.50 |
| Unknown | First | 7 | 25 | 8/15/30 | 7.50 |
| Unknown | First | 8 | 25 | 8/15/30 | 7.50 |
| Unknown | First | 9 | 25 | 8/15/30 | 7.50 |
| Unknown | First | 11 | 25 | 8/15/30 | 7.50 |
| Unknown | First | 12 | 25 | 8/15/30 | 7.50 |

| Name & Address of Creditor | Issue | Number of Bonds | Number of Coupons | Maturity Date | Face Amount |
|-------------------------------|-------|--------------------|----------------------|------------------|----------------|
| Unknown | First | 28 | 25 | 1/1/31 | \$30.00 |
| Unknown | First | 28 | 26 | 7/1/31 | 30.00 |
| Unknown | First | 28 | 27 | 8/15/32 | 7.50 |
| Unknown | First | 36 | 27 | 8/15/32 | 7.50 |
| Unknown | First | 62 | 25 | 1/15/31 | 30.00 |
| Unknown | First | 94 | 25 | 1/15/31 | 30.00 |
| Unknown | First | 95 | 25 | 1/15/31 | 30.00 |
| Unknown | First | 173 | 25 | 1/15/31 | 30.00 |
| Unknown | First | 173 | 26 | 7/1/31 | 30.00 |
| Unknown | First | 175 | 23 | 1/1/30 | 30.00 |
| Unknown | First | 175 | 24 | 7/1/30 | 30.00 |
| Unknown | First | 189 | 22 | 7/1/29 | 30.00 |
| Unknown | First | 189 | 23 | 1/1/30 | 30.00 |
| Unknown | First | 189 | 24 | 7/1/30 | 30.00 |
| Unknown | First | 189 | 25 | 1/1/31 | 30.00 |
| Unknown | First | 190 | 22 | 7/1/29 | 30.00 |
| Unknown | First | 190 | 23 | 1/1/30 | 30.00 |
| Unknown | First | 190 | 24 | 7/1/30 | 30.00 |
| Unknown | First | 190 | 25 | 1/1/31 | 30.00 |
| Unknown | First | 269 | 23 | 1/1/30 | 30.00 |
| Unknown | First | 269 | 24 | 7/1/30 | 30.00 |
| Unknown | First | 269 | 25 | 1/1/31 | 30.00 |
| Unknown | First | 270 | 23 | 1/1/30 | 30.00 |
| Unknown | First | 270 | 24 | 7/1/30 | 30.00 |
| Unknown | First | 270 | 25 | 1/1/31 | 30.00 |
| Unknown | First | 293 | 23 | 1/1/30 | 30.00 |
| Unknown | First | 293 | 24 | 7/1/30 | 30.00 |
| Unknown | First | 293 | 25 | 1/1/31 | 30.00 |
| | | | | | [20] |
| Unknown | First | 294 | 23 | 1/1/30 | 30.00 |
| Unknown | First | 294 | 24 | 7/1/30 | 30.00 |
| Unknown | First | 294 | 25 | 1/1/31 | 30.00 |
| Unknown | First | 295 | 23 | 1/1/30 | 30.00 |
| Unknown | First | 295 | 24 | 7/1/30 | 30.00 |
| Unknown | First | 295 | 25 | 1/1/31 | 30.00 |
| Unknown | First | 448 | 25 | 1/1/31 | 30.00 |
| Unknown | First | 598 | 25 | 1/1/31 | 30.00 |
| Unknown | First | 661 | 26 | 7/1/31 | 30.00 |
| Unknown | First | 661 | 27 | 1/1/32 | 30.00 |

| Name & Address of Creditor | Issue | Number of Bonds | Number of Coupons | Maturity Date | Face Amount |
|-------------------------------|-------|--------------------|----------------------|------------------|----------------|
| Unknown | First | 661 | 28 | 7/1/32 | \$30.00 |
| Unknown | First | 661 | 29 | 1/1/33 | 30.00 |
| Unknown | First | 661 | 30 | 7/1/33 | 30.00 |
| Unknown | First | 691 | 25 | 1/1/31 | 30.00 |
| Unknown | First | 898 | 25 | 1/1/31 | 30.00 |
| Unknown | First | 899 | 25 | 1/1/31 | 30.00 |
| Unknown | First | 907 | 25 | 1/1/31 | 30.00 |
| Unknown | First | 908 | 25 | 1/1/31 | 30.00 |
| Unknown | First | 955 | 25 | 1/1/31 | 30.00 |
| Unknown | First | 966 | 24 | 7/1/30 | 30.00 |
| Unknown | First | 966 | 25 | 1/1/31 | 30.00 |
| Unknown | First | 969 | 24 | 7/1/30 | 30.00 |
| Unknown | First | 969 | 25 | 1/1/31 | 30.00 |

State of California

County of Glenn—ss.

Blanche Covert, being first duly sworn, deposes and says:

That she is Secretary of the Provident Irrigation District the petitioner herein and makes this verification on behalf of said District; that she has read the foregoing amendment to petition and knows the contents thereof; that the same is true of her own knowledge except as to those matters which are therein stated on information and belief, and as to those matters that she believes it to be true.

BLANCHE COVERT

Subscribed and sworn to before me this 13th day of November, 1940.

[Seal]

LOUISE REESE JOHNSON

Notary Public, Glenn Co.,

Calif.

[Endorsed]: Filed Nov. 18, 1940. [21]

[Title of District Court and Cause.]

ANSWER AND OBJECTIONS TO PETITION
FOR CONFIRMATION OF COMPOSITION

Comes now respondents Nelson Taylor, A. J. Ronsse, J. R. Mason, Gilbert Moody, and James H. Jordan, and by way of answer and objections to the Petition for Composition herein, admit, allege and deny as follows:

I.

Allege that they are creditors of the Provident Irrigation District, the petitioner herein, and severally own the bonds and coupons described in their respective claims filed herein as follows:

That respondent Nelson Taylor is the owner of bonds of said district in the principal amount of \$3000.00, being bonds numbered 7, 8, and 9, which became due August 15, 1930, and which said bonds are still outstanding and unpaid, and that respondent is also the owner of coupons in the total amount of \$22.50.

That respondent A. J. Ronsse is the owner and holder of bonds numbered 598 and 898 of said district in the principal amount of \$2000.00, bearing interest at 6% per annum, payable semi-annually, as evidenced by interest coupons, which said matured and [22] unpaid interest coupons amount to the sum of \$1200.00.

That respondent J. R. Mason is the owner and holder of bonds numbered 210, 282, 306, 307, 308, 309, 310, 640, 641, 642, 643, 644, 645, 646, 647, 648,

and 649, of said district, in the principal amount of \$17,000.00, bearing interest at 6% per annum, payable semi-annually, as evidenced by interest coupons, which said matured and unpaid interest coupons amount to the sum of \$9030.00.

That respondent Gilbert Moody is the owner and holder of bonds numbered 62, 94, and 95, of said district, in the principal amount of \$3,000.00, bearing interest at 6% per annum, payable semi-annually, as evidenced by interest coupons which said matured and unpaid coupons amount to the sum of \$480.00 and respondent is also the owner and holder of coupons detached from bonds numbered 624, 625, 268, 443, and 661, which said matured and unpaid coupons amount to the sum of \$150.00.

That respondent James H. Jordan is the owner and holder of bonds numbered 156, 157, 158, 159, 160, 265, 266, 447, 449, 924 and 997, of said district, in the principal amount of \$11,000.00, bearing interest at 6% per annum, payable semi-annually, as evidenced by interest coupons which said matured and unpaid coupons amount to the sum of \$4582.50, and that respondent James H. Jordan is also the owner and holder of matured and unpaid coupons detached from bonds numbered 36, 303, 304, 435, 436, 994, 995, and 966, which said matured and unpaid coupons amount to the sum of \$637.50.

Alleges that the Provident Irrigation District was created for the purposes mentioned in the California Irrigation District Act and not otherwise.

II.

Answering the allegations of Paragraph III of the Petition for Confirmation of Composition herein, said respondents deny the allegations of said paragraph for want of information or belief and in this connection aver that a considerable amount of the alleged indebtedness of said district has been barred by the statute of limitations, the exact amount of which is unknown to [23] said respondents, and allege further that there is certain interest due from the claims against the district by reason of Section 52 of the California Irrigation District Act and that the said interest is not equal as to each bond and that the creditors therefore are not to be classified in accordance with the number of bonds which they hold, but according to the total amount of their claims. Furthermore, that respondent Gilbert Moody owns certain coupons for which no provision has been made in the plan.

III.

Answering Paragraph IV, deny generally and specifically each and every allegation therein set forth, except the allegation as to the adoption of the resolution by the Board of Directors, and respondents further deny that the petitioner is insolvent or unable to meet its debts as they mature or as they will hereafter mature, and deny that it is imperative that it effect a plan of composition.

IV.

Answering the allegations of Paragraph V, VI, VII, VIII, IX, and X, respondents are without

knowledge or information sufficient to form a belief as to the truth of the allegations of the above mentioned paragraphs, and therefore deny the same.

V.

Answering the allegations of Paragraph XI, respondents deny that the plan of composition offered and its acceptance were or are in good faith. Deny that the plan is fair or equitable or for the best interest of creditors of petitioner. Deny that it does not discriminate unfairly against any creditor or class of creditors, and aver that it does so discriminate and deny that the petitioner is authorized by law to take all action necessary to be taken by it to carry out the said plan.

VI.

As a first and separate defense and answer to said [24] petition these answering respondents allege:

That said petition does not state facts sufficient to constitute a good and valid petition under the Bankruptcy Act of 1898.

VII.

As a second, separate and distinct defense to said petition these answering respondents allege:

That all of the functions of the Provident Irrigation District are exclusively governmental and that the Plan of Composition interferes with the political and governmental functions of said district.

VIII.

As a third, separate and distinct defense to said petition these answering respondents allege:

That Provident Irrigation District is a subdivision and governmental agency of the State of California and neither it nor its obligations are subject or amendable to the bankruptcy power of the Congress of the United States.

IX.

As a fourth, separate and distinct defense to said petition these answering respondents allege:

That Chapter IX of the Bankruptcy Act of the United States is unconstitutional and void in that it violates Article I, Section 10, Clause 1, and the Fifth and Tenth Amendments, of the Constitution of the United States.

X.

As a fifth, separate and distinct defense to said petition these answering respondents allege:

That the court does not have jurisdiction of the subject matter of this action or of the petitioner.

XI.

As a sixth, separate and distinct defense to said [25] petition these answering respondents allege:

That the plan does not provide for payment of counsel fees.

XII.

As a seventh, separate and distinct defense to said petition these answering respondents allege:

That the petitioner and its officers are public trustees and the trust imposed upon them by law is for all the purposes of the California Irrigation District Act and that there are but few landowners in said district in proportion to the area thereof and that the bulk of the lands are held in trust and that the primary purposes of said trust are the purposes of supplying irrigation and drainage for the lands and the payment of the bonded indebtedness of the district and that the respondents and the other bondholders of the district, being the creditors thereof, are the beneficial owners of said property and said bankruptcy act does not give jurisdiction to this court over such trustee or the administration of the trust; that the trust must be administered pursuant to the California Irrigation District Act and not by or pursuant to an order of this court.

XIII.

As an eighth, separate and distinct defense to said petition these answering respondents allege:

That the said plan of composition is inequitable, unjust, and unfair to these respondents in that it proposes to force respondents to surrender and deliver up their bonds and interest coupons for a small fraction of the face value thereof and without any other consideration therefor, while at the same time, the petitioner by the exercise of reasonable diligence is and will be financially able to pay the obligations owned by respondents in full and according to their terms.

XIV.

As a ninth, separate and distinct defense to said [26] petition these answering respondents allege:

That the debts of petitioner are not the only debts which are, in effect, liens upon the lands within the boundaries of the petitioner, but there are other bonds or liens, including public bonds and private mortgages.

XV.

As a tenth, separate and distinct defense to said petition these answering respondents allege:

That the plan of composition is unfair and inequitable because it does not offer bonds to the creditors at their option.

XVI.

As an eleventh, separate and distinct defense to said petition these answering respondents allege:

That the plan is unfair and inequitable because it violates the rule of the case of *Case v. Los Angeles Lumber Products Company*, 60 Sup. Ct. 1, in that it takes property from the respondents and gives it to other interested parties whose rights are junior to the bondholders and that it does not give to the bondholders the value of the properties of the petitioner.

XVII.

As a twelfth, separate and distinct defense to said petition these answering respondents allege:

That the plan is unfair because the bonded debt is but a small portion of the cost of production of crops.

XVIII.

As a thirteenth, separate and distinct defense to said petition these answering respondents allege:

That the plan is unfair because if it be assumed that the amounts which will be paid to the Reconstruction Finance Corporation on the indebtedness are all that the lands can reasonably be expected to be able to pay, that such payments could continue until the full amount of respondents have been paid in [27] full, there being no reason why payment should terminate after thirty-three years.

XIX.

As a fourteenth, separate and distinct defense to said petition these answering respondents allege:

That the plan is unfair and unjust because it does not take into consideration the probability of inflation or of increased farm produce prices.

XX.

As a fifteenth, separate and distinct defense to said petition these answering respondents allege:

That the plan is unjust and inequitable and violates the Fifth Amendment to the Constitution of the United States in that it takes property of the respondents without due process of law, in particular trust funds consisting of cash, water tolls, land rent, trust funds, certificates of sale, and the con-

tinuing and irrevocable right to have assessments levied and collected.

XXI.

As a sixteenth, separate and distinct defense to said petition these answering respondents allege:

That the plan is unfair and unjust in that it did not provide for the proper classification of creditors; that all of the creditors of petitioner are not of the same class; that while their claims are payable out of the same fund or source that certain of respondents have priority and in particular, among other respondents, respondent Taylor and Jordan are entitled to priority by reason of the ownership and presentation of certain bonds and coupons as set forth in their respective claims to the treasurer, and the stamping thereof all as provided by Section 52 of the California Irrigation District Act and they and all other creditors of the district are entitled to be paid out of the trust funds of the district pursuant to the provisions of Section [28] 52 of said Act, which provides for priority of payment in order of presentation.

XXII.

As a seventeenth, separate and distinct defense to said petition these answering respondents allege:

That the plan is unjust and unfair because the assets of petitioner exceed its liabilities.

XXIII.

As an eighteenth, separate and distinct defense to said petition these answering respondents allege:

That respondent Taylor has a preference by reason of an alternative writ of mandate which he secured in the Superior Court of Stanislaus County and which is now pending in the Superior Court of Glenn County, providing for the payment of his bond and claim out of funds on hand and applicable to payment thereof.

XXIV.

As a nineteenth, separate and distinct defense to said petition these answering respondents allege:

That the plan is unjust and inequitable because the plan violates the provisions of Section 3 of Public No. 669, 76th Congress.

XXV.

As a twentieth, separate and distinct defense to said petition these answering respondents allege:

That the plan is unfair because it provides for the payment of obligations to January 1, 1931, in full, namely coupons, but does not provide for the payment in full of the bonds of respondent Nelson, amounting to \$3000, which matured August 15, 1930, and that this provision of the plan is discriminatory and unfair and intentionally so. [29]

XXVI.

As a twenty-first, separate and distinct defense to said petition these answering respondents allege:

That the State of California has not and cannot consent to this proceeding.

XXVII.

As a twenty-second, separate and distinct defense to said petition these answering respondents allege:

That the plan is not fair, equitable or for the best interest of the creditors and it discriminates unfairly against respondents; that it does not comply with the provisions of Chapter IX; that it has not been accepted and approved as required by statute; that the offer of the plan and its acceptance are not in good faith. The petitioner is not authorized by law to take all action necessary to carry out the plan and that the amounts allowed for services are not reasonable and are not disclosed and that no allowance is made for respondents' counsel.

Wherefore, respondents pray that petitioner take nothing by its alleged petition; that said petition and these proceedings be dismissed, and that respondents recover their costs.

W. COBURN COOK

Attorney for Respondents.

[30]

Wherefore, respondents pray that petitioner take nothing by its alleged petition; that said petition and these proceedings be dismissed, and that respondents recover their costs.

W. COBURN COOK

Attorney for Respondents

State of California,
County of Stanislaus—ss.

Gilbert Moody, being duly sworn, deposes and says:

That he is one of the respondents named in the foregoing Answer and Objections to Petition for Confirmation of Composition and is one of the answering respondents therein; that he has read said Answer and knows the contents thereof, and that the same is true of his own knowledge except as to the matters therein stated on information or belief, and as to those matters he believes it to be true.

GILBERT MOODY

Subscribed and sworn to before me this 30th day of August, 1940.

[Seal] S. H. HACKETT

Notary Public in and for the County of Stanislaus,
State of California.

[Endorsed]: Filed Sep. 3, 1940. [31]

RESPONDENT'S EXHIBIT C

[Title of District Court and Cause.]

PROOF OF CLAIM

State of California,
County of Los Angeles—ss.

Nelson Taylor, being first duly sworn, deposes and says:

That he is a creditor of Provident Irrigation District, the petitioner herein, and that he is the owner

and holder of the following described bonds and coupons of said district:

That he is the owner of bonds in the principal amount of \$3000.00, which said bonds bear the numbers hereinafter indicated and are in the amounts as indicated and have matured at the dates indicated; that said bonds bear interest at the rate of 6% per annum, evidenced by interest coupons due and payable January 1st and July 1st of each year; that Nelson Taylor is the owner and holder of all the coupons attached to said bonds, of which coupons in the amount of \$22.50 have matured and were presented to the treasurer for payment and payment demanded, as hereinbelow indicated, and bearing interest at the rate of 7% per annum from the dates of presentation, and that interest will continue to accumulate by way of interest at 7% per annum on presented coupons and bonds until payment has been made; that there is no counter-claim or offset to same; that a particular description of said claim is as follows:

| Bond No. | Issue | Due Date | Date Presented | Amount |
|----------|-------|---------------|----------------|-----------|
| 7 | First | Aug. 15, 1930 | Jan. 30, 1931 | \$1000.00 |
| 8 | " | Aug. 15, 1930 | Jan. 30, 1931 | \$1000.00 |
| 9 | " | Aug. 15, 1930 | Jan. 30, 1931 | \$1000.00 |

Total Bonds: \$3000.00

| No. Coupons | Coupon No. | Due Date | Date Presented | Amount |
|-------------|------------|--------------|----------------|---------|
| 3 | 25 | Jan. 1, 1931 | Jan. 30, 1931 | \$22.50 |

Total Coupons: \$22.50

This claim includes interest at 7% per annum on each amount of bond principal and interest which

has matured from the respective dates of presentation to the treasurer of the district.

NELSON TAYLOR

Subscribed and sworn to before me this 6th day of November, 1940.

[Seal] R. D. HICKS

Notary Public in and for the County of Los Angeles,
State of California.

My Commission expires June 10, 1944.

[Endorsed]: Filed Nov. 8, 1940.

[Title of District Court and Cause.]

PROOF OF CLAIM

State of California,
County of Stanislaus—ss.

Gilbert Moody, being first duly sworn, deposes and says:

That he is a creditor of Provident Irrigation District, the petitioner herein, and that he is the owner and holder of the following described bonds and coupons of said district:

That he is the owner of bonds in the principal amount of \$3000.00, which said bonds bear the numbers hereinafter indicated and are in the amounts as indicated and have matured at the dates indicated; that said bonds bear interest at the rate of 6% per annum, evidenced by interest coupons due and payable January 1st and July 1st of each year; that

Gilbert Moody is the owner and holder of all the coupons attached to said bonds, of which coupons in the amount of \$480.00 have matured and were presented to the treasurer for payment and payment demanded, as hereinbelow indicated; that Gilbert Moody is also the holder of five coupons detached from certain bonds of said petitioner in the amount of \$750.00 which said coupons have matured and were presented to the treasurer for payment demanded as hereinbelow indicated; that said coupons bear interest at the rate of 7% per annum from the dates of presentation and that interest will continue to accumulate by way of interest at 7% per annum on presented bonds and coupons until payment has been made; that there is no counterclaim or off-set to same; that a particular description of said claim is as follows:

| Bond No. | Issue | Due Date | Date Presented | Amount |
|----------|-------|---------------|----------------|-----------|
| 62 | First | Aug. 15, 1932 | Aug. 14, 1936 | \$1000.00 |
| 94 | " | Aug. 15, 1933 | Aug. 14, 1936 | 1000.00 |
| 95 | " | Aug. 15, 1933 | Aug. 14, 1936 | 1000.00 |

Total Bonds: \$3000.00

| No. Coupons | Coupon No. | Due Date | Date Presented | Amount |
|----------------|------------|--------------|----------------|---------|
| 3 | 25 | Jan. 1, 1931 | Jan. 16, 1931 | \$90.00 |
| 3 | 26 | July 1, 1931 | July 10, 1931 | 90.00 |
| 3 | 27 | Jan. 1, 1932 | Aug. 14, 1936 | 90.00 |
| 3 | 28 | July 1, 1932 | Aug. 14, 1936 | 90.00 |
| 2 | 29 | Jan. 1, 1933 | Aug. 14, 1936 | 60.00 |
| 2 | 30 | July 1, 1933 | Aug. 14, 1936 | 60.00 |
| 5 (detached) | 26 | July 1, 1931 | Mar. 22, 1932 | 150.00 |
| 5 (from Bonds) | 27 | Jan. 1, 1932 | Mar. 22, 1932 | 150.00 |
| 5 (Nos. 625,) | 28 | July 1, 1932 | July 1, 1932 | 150.00 |
| 5 (268, 443,) | 29 | Jan. 1, 1933 | Jan. 1, 1933 | 150.00 |
| 5 (661, & 674) | 30 | July 1, 1933 | July 8, 1933 | 150.00 |

Total Coupons: \$1230.00.

This claim includes interest at 7% per annum on each amount of bond principal and interest which has matured from the respective dates of presentation to the treasurer of the district.

GILBERT MOODY

Subscribed and sworn to before me this 8th day of November, 1940.

[Seal] J. ALFRED SWENSON

Notary Public in and for the County of Stanislaus,
State of California.

[Endorsed]: Filed Nov. 12, 1940.

[Title of District Court and Cause.]

AMENDMENT TO ANSWER AND OBJEC-
TIONS TO PETITION FOR CONFIRMA-
TION OF COMPOSITION.

Come now respondents Nelson Taylor, A. J. Ronsse, J. R. Mason, Gilbert Moody, James H. Jordan, and N. O. Bowman, and by way of amendment to the answer and objections to the petition for composition herein and in addition to the averments and denials of the answer and objections heretofore filed, allege as follows:

I.

Allege that respondent Gilbert Moody is the owner and holder of coupons detached from bonds Numbered 624, 625, 268, 443, and 661 in the amount of \$750.00 as set forth in claim of said respondent on

file herein; that said coupons have matured and been presented for payment and each of said coupons is in the sum of \$30.00 and five matured July 1, 1931, five matured January 1, 1932, five matured July 1, 1932, five matured January 1, 1933, and five matured July 1, 1933 and were subsequently presented for payment to the treasurer and payment refused.

II.

Allege that N. O. Bowman is the owner and holder of bonds of said petitioner in the amount of \$9000.00, being bonds numbered [32] 303, 304, 435, 436, 907, 908, 994, 995, and 995 and coupons detached from said bonds in the amount of \$4140.00, all as set forth in claim of said respondent on file herein.

That N. O. Bowman refers to and adopts as his own all of the denials and allegations set forth in the answer and objections of Nelson Taylor, A. J. Ronsse, J. R. Mason, Gilbert Moody, and James H. Jordan heretofore filed, except those which related to the holdings of the respondents mentioned in said answer.

III.

That in addition to the coupons mentioned in the answer, respondent J. R. Mason is also the owner and holder of coupons in the amount of \$7.50 each detached from bonds numbered 210, 282, 306, 307, 308, 309, and 310, all as set forth in said respondent's claim on file herein.

IV.

Respondent James H. Jordan owns certain coupons as shown by his claim herein, detached from certain bonds of said district, which said bonds are not owned by said Jordan, and that the plan is discriminatory and unfair as to Jordan because said Jordan is informed and believes and therefore alleges that the bonds have not been surrendered nor deposited and said plan denies Jordan that payment or benefit on account of the holdings of said coupons, and they should not therefore be discharged as liabilities of the petitioner. Furthermore the amount allowed for said coupons in the event of the surrender of the relevant bonds is disproportionate with the amount allowed for other obligations.

V.

That said plan of composition is discriminatory, unjust, and unfair in that the plan allows twenty cents for each dollar of principal, but only 12.28 cents for each dollar of said Jordan's coupons, and further, does not provide any payment whatever unless the bonds from which said respondent's coupons have been detached have [33] been surrendered or deposited in accordance with the plan; that said respondent does not own, nor have interest in the bonds from which said coupons have been detached.

VI

That said plan of composition is unjust, inequitable and unfair in that it violates the rule

of law laid down in the case of Northern Pacific Ry. Co. v. Boyd, 228 U. S. 482, 33 S. Ct. 554 (1913) and in the case of Case v. Los Angeles Lumber Products Co., 308 U. S. 106, and further said plan is unfair and unjust in that it does not give to the creditors the lands of the district to which the district has taken title.

VII.

That if the pro rata rule is to be applied in this district, the plan is discriminatory and unfair and the petition presented in bad faith for in its effect the plan is discriminatory because as respondents are informed and believe and therefore allege the fact to be, the petitioner has heretofore and during periods of time when the district's financial affairs were approximately the same as they are now, made preferential payments out of its bond and interest fund, that is to say, payments which were not on a pro rata basis.

VIII.

Further elaborating on the XX defense, respondent Nelson Taylor alleges that the \$3000 of bonds which he owns and holds matured August 15, 1930 and were presented for payment January 30, 1931, and that all obligations of said district which matured on or before January 1, 1931 have either been paid in full or the petitioner now offers to pay the same, whereas the plan herein would require said respondents to take twenty cents on the dollar for his said \$3000 of bonds, and that the plan is unjust and unfair and discriminatory therefor.

Wherefore respondents pray that petitioner take nothing by its alleged petition; that said petition and these proceedings be dismissed, and that respondents recover their costs, but in the alteration Nelson Taylor prays that if the plan be confirmed it be amended to pay him in full his bonds and claim for interest.

W. COBURN COOK

Attorney for Respondents.

State of California

County of Stanislaus.—ss.

Gilbert Moody, being duly sworn, deposes and says:

That he is one of the respondents named in the foregoing Amendment to Answer and Objections to Petition for Confirmation of Composition; that he has read said Amendment to Answer and Objections to Petition for Confirmation of Composition and knows the contents thereof, and the same is true of his own knowledge except as to the matters therein stated on information or belief, and as to those matters he believes it to be true.

GILBERT MOODY

Subscribed and sworn to before me this 13th day of November, 1940.

[Seal] J. ALFRED SWENSON

Notary Public in and for the County of Stanislaus,
State of California.

(Affidavit of service by mail attached hereto.)

[Endorsed]: Filed Nov. 14, 1940. [35]

[Title of District Court and Cause.]

PROOF OF CLAIM

H. A. Mulligan, upon oath, says that he is Treasurer of the Reconstruction Finance Corporation, an agency of the United States Government, having its principal place of business in the City of Washington, District of Columbia, and that he is duly authorized to make this proof, and says that Provident Irrigation District, Willows, California, which has heretofore filed a petition for the composition of its debts, was at and before the filing of the petition, and still is, indebted to the Reconstruction Finance Corporation in the principal sum of Nine Hundred and One Thousand (\$901,000.00) Dollars, evidenced by (a) \$890,000.00 principal amount of "Provident Irrigation District First Issue" 6% bonds, dated August 15, 1918, and (b) \$11,000.00 principal amount of "Provident Irrigation District Second Issue" 6% bonds, dated August 9, 1921.

That no part of the debt has been paid and that there are no set-offs or counter-claims to the same; and that said Corporation has not, nor has any person by its order, or to the knowledge or belief of this deponent, for its use, had or received any manner of security for said debt whatever.

H. A. MULLIGAN

Treasurer, Reconstruction Finance Corporation

Subscribed and sworn to before me this 6th day of November, 1940.

[Seal] LEOLA M. STAHL
Notary Public

My commission expires February 15, 1944.

[Endorsed]: Filed Nov. 18, 1940.

[Title of District Court and Cause.]

PROOF OF CLAIM

State of California,
County of Sacramento.—ss.

J. R. Mason, being first duly sworn, deposes and says:

That he is a creditor of Provident Irrigation District, the petitioner herein, and that he is the owner and holder of the following described bonds and coupons of said district:

That he is the owner of bonds in the principal amount of \$17,000.00, which said bonds bear the numbers hereinafter indicated and are in the amounts as indicated and have matured or will mature at the dates indicated; that said bonds bear interest at the rate of 6% per annum, evidenced by interest coupons payable January 1st and July 1st of each year; that J. R. Mason is the owner and holder of all the coupons attached to said bonds,

of which coupons in the amount of \$9082.50 have matured and were presented to the treasurer for payment and payment demanded, as hereinbelow indicated, and bearing interest at the rate of 7% per annum from the dates of presentation, and that interest will continue to accumulate by way of maturing coupons at 6% per annum and by way of interest at 7% per annum on presented coupons until payment has been made; that there is no counterclaim or off-set to the same; that a particular description of said claim is as follows:

| Bond No. | Issue | Due Date | Date Presented | Amount |
|----------|-------|---------------|----------------|-----------|
| 210 | First | Aug. 15, 1936 | Aug. 15, 1936 | \$1000.00 |
| 282 | " | Aug. 15, 1938 | Oct. 7, 1938 | 1000.00 |
| 306 | " | Aug. 15, 1939 | Aug. 16, 1939 | 1000.00 |
| 307 | " | Aug. 15, 1939 | " " " | 1000.00 |
| 308 | " | Aug. 15, 1939 | " " " | 1000.00 |
| 309 | " | Aug. 15, 1939 | " " " | 1000.00 |
| 310 | " | Aug. 15, 1939 | " " " | 1000.00 |
| 640 | " | Aug. 15, 1945 | | 1000.00 |
| 641 | " | Aug. 15, 1945 | | 1000.00 |
| 642 | " | Aug. 15, 1945 | | 1000.00 |
| 643 | " | Aug. 15, 1945 | | 1000.00 |
| 644 | " | Aug. 15, 1945 | | 1000.00 |
| 645 | " | Aug. 15, 1945 | | 1000.00 |
| 646 | " | Aug. 15, 1945 | | 1000.00 |
| 647 | " | Aug. 15, 1945 | | 1000.00 |
| 648 | " | Aug. 15, 1945 | | 1000.00 |
| 649 | " | Aug. 15, 1945 | | 1000.00 |

Total Bonds: \$17,000.00.

| No. Coupons | Coupon No. | Due Date | Date Presented | Amount |
|-------------|------------|--------------|----------------|----------|
| 17 | 26 | July 1, 1931 | July 1, 1931 | \$510.00 |
| 17 | 27 | Jan. 1, 1932 | Jan. 4, 1932 | 510.00 |
| 17 | 28 | July 1, 1932 | July 1, 1932 | 510.00 |
| 17 | 29 | Jan. 1, 1933 | Jan. 3, 1933 | 510.00 |
| 17 | 30 | July 1, 1933 | July 3, 1933 | 510.00 |
| 17 | 31 | Jan. 1, 1934 | Jan. 2, 1934 | 510.00 |
| 17 | 32 | July 1, 1934 | July 2, 1934 | 510.00 |
| 17 | 33 | Jan. 1, 1935 | Jan. 2, 1935 | 510.00 |
| 17 | 34 | July 1, 1935 | July 1, 1935 | 510.00 |
| 17 | 35 | Jan. 1, 1936 | Jan. 2, 1936 | 510.00 |
| 17 | 36 | July 1, 1936 | July 1, 1936 | 510.00 |
| 16 | 37 | Jan. 1, 1937 | Jan. 2, 1937 | 480.00 |
| 16 | 38 | July 1, 1937 | July 1, 1937 | 480.00 |
| 16 | 39 | Jan. 1, 1938 | Jan. 3, 1938 | 480.00 |
| 16 | 40 | July 1, 1938 | July 1, 1938 | 480.00 |
| 15 | 41 | Jan. 1, 1939 | Jan. 3, 1939 | 450.00 |
| 15 | 42 | July 1, 1939 | July 5, 1939 | 450.00 |
| 10 | 43 | Jan. 1, 1940 | Jan. 2, 1940 | 300.00 |
| 10 | 44 | July 1, 1940 | July 1, 1940 | 300.00 |

7 (Due at maturity of bonds) @ 7.50 ea. when due 52.50
 Total Coupons: 9082.50.

This claim includes interest at 7% per annum on each amount of bond principal and interest which has matured from the respective dates of presentation to the treasurer of the district.

J. R. MASON

Subscribed and sworn to before me this 18th day of November, 1940.

[Seal]

F. M. LAMPERT

Deputy Clerk U. S. District
 Court Northern District of
 California.

[Title of District Court and Cause.]

NOTICE OF TIME AND PLACE FOR HEARING PETITION FOR CONFIRMATION OF PLAN OF COMPOSITION OF INDEBTEDNESS AND NOTICE OF TIME AND MANNER IN WHICH CLAIMS AND INTERESTS OF CREDITORS OF SAID DISTRICT MAY BE FILED OR EVIDENCED.

Notice is hereby given that Provident Irrigation District, located in the Counties of Glenn and Colusa, State of California, did, on the 29th day of May, 1940, file in the above entitled Court a verified petition for the confirmation of a certain plan of composition of the outstanding indebtedness of said District, consisting of outstanding bonds and interest coupons of said Provident Irrigation District, which petition has been approved as properly filed under Chapter IX of that certain Act of the Congress of the United States entitled "And Act to Establish a Uniform System of Bankruptcy throughout the United States," approved July 1, 1898, as said Act has been amended and is now in force and effect, hereinafter called "The Bankruptcy Act," and that, by order of said Court, Monday, the 18th day of November, 1940, at 10 o'clock A. M. of said day, has been fixed as the time, and the courtroom of the above entitled Court, in the Federal Building, on "I" Street, between Eighth and Ninth Streets, in the City of Sacramento, State of California, has been fixed as the place, for the hearing of said petition as provided in said Chapter IX of the Bank-

ruptey Act, at which time and place all persons interested in said matter may appear and be heard.

The said plan of composition provides for the payment in cash of the sum of twenty (20c) cents for each dollar of principal amount of the outstanding bonds of said District accompanied by all unpaid interest coupons maturing on or after the 1st day of July, 1931, appurtenant thereto, with a provision for deductions to be made from the purchase price of any bond if any unpaid appurtenant coupons maturing on or after the 1st day of July, 1931, are not delivered, and further providing for the payment at face value of each coupon maturing on or before the 1st day of January, 1931, all as more fully appears in the resolution of the Board of Directors of said District adopted on the 6th day of January, 1940, a copy of which marked "Exhibit A" is attached to said petition on file herein, to which reference is hereby made for further particulars.

Notice is further hereby given that the claims and interests of creditors of said Provident Irrigation District shall be filed or evidenced herein on or before said 18th day of November, 1940, in the following manner:

Each such creditor shall file with the clerk of this Court a verified statement of the claim or interest of such creditor, bearing the title of this matter and setting forth the nature and amount of such claim or interest.

If such claim or interest is evidenced by a bond or bonds issued by said petitioner and interest coupons appertaining to such bond or bonds, the bond or bonds held or owned by the creditor shall be described by giving designation of the issue to which said bond or bonds belong, their respective serial numbers and principal amounts, their maturity date, and the numbers of any interest coupons which appertain to the respective bonds.

If any claim or interest is evidenced only by interest coupons appertaining to bonds issued by said District, the statement of such claimant shall show the face amount of such coupons, designation of the issue and serial number or numbers of the bond or bonds to which they appertain and the numbers of such coupons.

The holder of any such bonds or coupons as a depositary or trustee may make such statement covering the bonds or coupons so held. If the owner or holder of any such bonds or coupons is a corporation or a partnership, the aforesaid statement may be verified by any officer of such corporation, including any trust officer or assistant trust officer of a trust company, or by any member of such partnership.

At any time not less than ten days prior to said time fixed for said hearing any creditor of the petitioner affected by the plan may file an answer to the petition controverting any of the material allegations therein and setting up any objection he may have to the plan of composition.

This notice is given pursuant to an order of the above entitled Court made and filed the 7th day of September, 1940.

WALTER B. MALING

Clerk of the above entitled Court

By M. B. BROWN

Deputy Clerk.

GEORGE R. FREEMAN

ELMER LAINE

Attorneys for said District.

Sept. 12—Oct. 3.

[Endorsed]: Filed Oct. 14, 1940. [36]

At a stated term of the Northern Division of the United States District Court for the Northern District of California, held at the Court Room thereof, in the City of Sacramento, on Monday, the 18th day of November, in the year our Lord one thousand nine hundred and forty.

Present: The Honorable Michael J. Roche, District Judge.

[Title of Cause.]

This case came on regularly this day for hearing the petition for confirmation of the Plan of Composition. George Freeman, Esq., and Elmer Laine, Esq., were present for the petitioner. W. Coburn Cook, Esq., was present for certain Respondents. Mr. Freeman and Mr. Cook each made opening

statements to the Court. It is Ordered that the motion of Mr. Freeman to file and amend amendment to exhibit "B" be granted and certified copies may be substituted in lieu of the original exhibits. Charles F. Lambert, H. E. Vogel, T. E. Balch and George Freeman were each sworn and testified on behalf of the petitioner. Mr. Freeman filed and introduced in evidence petitioners' exhibits numbered 1, 2, 3, 4, 5, 6, 7 and 8. Mr. Cook filed and introduced in evidence Respondents' exhibits marked A and B. After hearing the attorneys, it is Ordered that the Plan of Composition be and the same is hereby confirmed and approved. [37]

[Title of District Court and Cause.]

Monday, November 18, 1940.

REPORTER'S TRANSCRIPT OF TESTIMONY
GIVEN AND PROCEEDINGS HAD UPON
HEARING.

COUNSEL:

For the Debtor:

GEORGE R. FREEMAN, Esq.

For the Petitioning Creditors:

W. COBURN COOK, Esq. [38]

Monday, November 18, 1940

After an opening statement by George R. Freeman for the debtor, and W. Coburn Cook for the

petitioning creditors, the witness Charles F. Lambert was called on behalf of the debtor and duly sworn.

Testimony of

CHARLES F. LAMBERT,

witness called on behalf of the debtor, sworn.

Direct Examination

By Mr. Freeman: Q. Will you please state your name? A. Charles F. Lambert.

Q. And your address?

A. 738 Birch Street, Berkeley.

Q. And what is your business or occupation?

A. I have been engaged in engineering work, and connected with irrigation drainage work in California since 1907, and management work of irrigation districts—reorganizing and refinancing districts since 1930, in the State of California.

Q. At the present time you are connected with what activity?

A. At the present time I am fiscal agent for the provident Irrigation District, and the Compton-Delevan Irrigation District, representing the Sutter and Butte Counties in California, and the Clear Lake Water Company, public utility companies and Reclamation District No. 2047, and Irrigation District No. 784, in connection with the fiscal affairs and reorganization and financing.

Mr. Freeman: Before I proceed with Mr. Lambert, if the Court please, I want to offer in evidence the original deposit agreements. This comprises a number of bondholders who had consented to the

(Testimony of Charles F. Lambert.)

plan originally. Since that time, disbursement has been made to these bondholders represented here, in accordance [40] with the plan, 20 cents on the dollar, and the like amount for their coupons, and the bonds have been delivered to the Reconstruction Finance Corporation. Now, the Reconstruction Finance Corporation has filed its claim here and its consent to the plan, so we will offer those all at once.

(Thereafter the documents were marked Petitioner's Exhibit No. 4).

PETITIONER'S EXHIBIT NO. 4

The Provident Irrigation District

ACCEPTANCE BY CREDITOR OF THE
PROVIDENT IRRIGATION DISTRICT OF
ITS PLAN OF COMPOSITION OF ITS
OUTSTANDING INDEBTEDNESS AND
AGREEMENT FOR ESCROW OF SECURI-
TIES EVIDENCING SUCH INDEBTED-
NESS.

To Provident Irrigation District, Willows, Cali-
fornia, and

To Pacific National Bank, 333 Montgomery Street,
San Francisco, California.

Gentlemen:

Whereas, the undersigned is the owner of certain bonds and interest coupons appurtenant thereto issued by the Provident Irrigation District, and de-

(Testimony of Charles F. Lambert.)

scribed in Exhibit "A" attached hereto and made a part hereof; and

Whereas, by resolution adopted December 20, 1939, the Reconstruction Finance Corporation, an agency of the United States of America, awarded to said District a loan in an amount not to exceed \$193,500.00 to enable said District to reduce and refinance its outstanding indebtedness, and the Board of Directors of said District did, on the 2nd day of January, 1940, accept said loan, and did, by resolution adopted on the 6th day of January, 1940, proposed and adopt a plan of composition of its outstanding indebtedness, whereby the outstanding bonds and coupons issued by said District will be retired by the payment therefor out of the proceeds of said loan of amounts equal to 20 cents for each dollar of the principal amount of said bonds, provided that all unpaid coupons maturing on or after the 1st day of July, 1931, appurtenant to the respective bonds, are delivered therewith, with a provision for certain deductions to be made from the purchase price of any bond if unpaid appurtenant coupons maturing on or after July 1, 1931, are not delivered, and further providing for the payment at face value of all coupons maturing on or prior to the 1st day of January, 1931, said latter payment to be made from funds of said District other than proceeds of said loan; and

Whereas, said District intends to file in the District Court of the United States a petition for the

(Testimony of Charles F. Lambert.)

confirmation of its said plan of composition, as provided in Chapter IX of the act of Congress entitled, "An Act to Establish a Uniform System of Bankruptcy throughout the United States," as amended; and

Whereas, the undersigned desires to cooperate for the consummation of said plan of composition, which plan appears to be fair, just and reasonable, and adopted in good faith on the part of such District,

Now, therefore,

The Undersigned Hereby Accepts the plan of composition of the outstanding indebtedness of said District as set forth in said resolution of its Board of Directors duly and regularly adopted on the 6th day of January, 1940, consents that such District may file its petition for composition of its indebtedness in the United States District Court, as provided by the Act of Congress, entitled "An Act to Establish a Uniform System of Bankruptcy throughout the United States," as amended, and herewith deposits the bonds and interest coupons hereinafter described in Exhibit "A" attached hereto and made a part hereof, with the Pacific National Bank, at 333 Montgomery Street, San Francisco, California, to facilitate the consummation of said plan, on the following terms and conditions, to-wit:

(1) Pacific National Bank is hereby authorized to deliver the above described securities to the Reconstruction Finance Corporation, or any other

(Testimony of Charles F. Lambert.)

agency of the United States Government or to the Provident Irrigation District, or to any agent duly appointed by any of them, or to any disbursing agent that may be appointed by the bankruptcy court, upon receipt for the account of the undersigned of an amount equal to 20 cents for each dollar of principal amount of said bonds, without any payment for interest coupons maturing on or after the 1st day of July, 1931, appurtenant thereto, and in case any said bonds shall not be accompanied by any unpaid coupons maturing between July 1, 1931, and August 15, 1939, both inclusive, there shall be deducted from the purchase price of such bond an amount equal to 12.27 cents for each dollar of the face amount of such missing coupon or coupons, and if any such bonds shall not be accompanied by all coupons maturing after August 15, 1939, there shall be deducted from the purchase price of such bond an amount equal to the full face value of each such missing coupon, and provided further that for each coupon maturing on or prior to the 1st day of January, 1931 there shall be paid for the account of the undersigned an amount equal to the full face value of said last mentioned coupons.

(2) Pacific National Bank, as agent of the undersigned, is hereby authorized to receive all moneys payable to the undersigned and to execute any and all instruments necessary to convey full title to said bonds and coupons to the purchaser or purchasers thereof in accordance with said plan of composition.

(Testimony of Charles F. Lambert.)

(3) This acceptance of said plan of composition and agreement for escrow of said securities is made in consideration of like acceptances and agreements on the part of holders of other outstanding bonds and coupons of said Provident Irrigation District, and is irrevocable by the undersigned until and including the 1st day of June, 1940, or, if a petition is filed in the District Court of the United States for the confirmation of said plan of composition, then until such later date as may be required for the termination of said proceeding.

(4) Pacific National Bank, as agent of the undersigned, is hereby authorized to do all acts and things necessary or proper to enable said District to consummate its said plan of composition of its outstanding indebtedness, including the execution in the name of the undersigned of any instruments in writing necessary or proper for said purpose.

(5) Pacific National Bank is hereby authorized to act by any agent or employee and shall be bound to exercise only reasonable care in the safe-keeping of the above described securities and shall not be liable for the acts or omissions of any agent or employee appointed by it in good faith, or for any act or omission other than its own willful misconduct.

(6) The undersigned shall not be subject to any expense arising out of this agreement or the deposit of securities hereunder or the disbursement of any funds payable to the undersigned as herein pro-

(Testimony of Charles F. Lambert.)

vided, it being understood that all expense of this escrow and other expenses necessary for the consummation of said plan of composition shall be paid by said District.

[Seal] THE CAPITAL NATIONAL
BANK OF SACRAMENTO
G. E. ZOLLER

Cashier

700 J Street, Sacramento,
California.

[Seal]

Dated January 26th 1940

Attach Notary Certificate of Acknowledgement here.

State of California,
County of Sacramento.—ss.

On this 26th day of January in the year nineteen hundred forty, before me, Verlie C. Branstetter a Notary Public, in and for said County and State, residing therein, duly commissioned and sworn, personally appeared G. E. Zoller, known to me to be the Cashier of the Capital National Bank of Sacramento, a National Banking Association, that executed the within instrument, and known to me to be the persons who executed the within instrument on behalf of the corporation therein named, and acknowledged to me that such corporation executed the same.

(Testimony of Charles F. Lambert.)

In Witness Whereof, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

[Seal] VERLIE C. BRANSTETTER
Notary Public in and for the County of Sacramento, State of California.

Please Read Carefully Instructions Set Forth Below and Forward Three Signed Copies of This Escrow Agreement to the Bank.

INSTRUCTIONS

Fill out and sign this form in Triplicate and forward it with your bonds to Pacific National Bank, Trust Department, 333 Montgomery Street, San Francisco, California. Retain quadruplicate (yellow copy) for your files.

Be sure to acknowledge your signature to the original before a notary.

If it is not convenient for you to deliver your bonds to the Pacific National Bank, Trust Department, 333 Montgomery Street, San Francisco, California, you may forward them by insured registered mail. If this Escrow Agreement is executed by a trustee, attorney, administrator or guardian, proper evidence of his authority so to act must be filed with the above named depositary. Additional copies of this form may be obtained from the above named depositary.

(Testimony of Charles F. Lambert.)

Bonds Checked []
 Coupons Checked []
 Disbursement Checked []
 Delivery Checked []
 Leave Blank

No. E1269

Provident Irrigation District, by its agent and depositary Pacific National Bank, acknowledges receipt of the above described bonds, and coupons of Provident Irrigation District to be held subject to the foregoing instructions and upon the conditions above specified.

PROVIDENT IRRIGATION
 DISTRICT,
 By PACIFIC NATIONAL BANK.
 By (Illegible)

Authorized officer

EXHIBIT "A"

| Issue | Bond Number | Denomination | Maturity Date | Numbers of Coupons With Bonds |
|-------|-------------|--------------|---------------|-------------------------------|
| First | 139 | \$1,000. | 8/15/1935 | 26 to maturity Inc. |
| " | 346/49 Inc. | 1,000. | 8/15/1939 | 26 to maturity Inc. |
| " | 510/13 Inc. | 1,000. | 8/15/1942 | 26 to maturity Inc. |
| " | 576-584/90 | 1,000. | 8/15/1944 | 26 to maturity Inc. |
| " | 939 | 1,000. | 8/15/1949 | 26 to maturity Inc. |

Total Principal Amount \$18,000.00

Said Exhibit No. 4 consisted of a number of documents in the foregoing form, all executed and acknowledged before a notary public by the following named persons as owners of bonds and coupons of said district as hereinbelow indicated, namely:

(Testimony of Charles F. Lambert.)

| | | |
|----------------------------------|---------------------------|-----------|
| George Benoit | Principal Amount of Bonds | \$106,000 |
| George McKaig | Principal Amount of Bonds | 7,000 |
| J. G. Zumwalt | Principal Amount of Bonds | 125,000 |
| George H. McKaig | Principal Amount of Bonds | 511,000 |
| George H. McKaig | Principal Amount of Bonds | 9,000 |
| Mary E. McKean | Principal Amount of Bonds | 1,000 |
| H. W. Low | Principal Amount of Bonds | 61,000 |
| Sterling B. Nourse | Prin. Amount of Bonds | 1,000 |
| H. W. Low | Principal Amount of Bonds | 4,000 |
| R. W. Kinney Co. | Principal Amount of Bonds | 10,000 |
| Capital Nat. Bank Sacramento | Principal Amount of Bonds | 2,000 |
| Capital Nat. Bank Sacramento | Principal Amount of Bonds | 5,000 |
| Citizens Nat. Bank Sacramento | Principal Amount of Bonds | 28,000 |
| Nels P. Peterson | Principal Amount of Bonds | 2,000 |
| Marie Wilber | Principal Amount of Bonds | 1,000 |
| Ida M. Tarrell | Principal Amount of Bonds | 3,000 |
| Geneva Blake Calder | Principal Amount of Bonds | 2,000 |
| Alfred Baer | Principal Amount of Bonds | 2,000 |
| Capital Nat. Bank Sacramento | Principal Amount of Bonds | 18,000 |

All of the foregoing bonds matured July 1, 1931 or subsequently and had attached coupons maturing July 1, 1931 and subsequent coupons. Except that as to Georgie Benoit and George H. McKaig some of the coupons maturing July 1, 1931 and a few of the subsequent coupons were missing.

Q. Mr. Lambert, you have resided heretofore in Glenn County, have you not. A. Yes, sir.

Q. How long have you lived there?

(Testimony of Charles F. Lambert.)

A. Well, I maintain my home there at this time, my voting home, and I temporarily reside in Berkeley for educational purposes of my children.

Q. How long have you lived in Willows?

A. Since 1907.

Q. And did you have some connection with the irrigation districts up there? A. Yes, sir.

Q. What connection?

A. Well, I organized the Glenn-Colusa Irrigation District, as one organization, and also the Maxwell Irrigation District — in Glenn County and Colusa County.

Q. Then you managed Glenn-Colusa Irrigation District?

A. Yes, I managed it and operated it for two and a half years, after organization.

Q. Are you familiar with all of the lands of the Provident Irrigation District? A. Yes, sir.

Q. And were you there at the time of the formation of the [41] District?

A. No, I think I was in the Army. I was there prior thereto and immediately thereafter.

Q. And you have been associated or employed by the Provident Irrigation District, the petitioner here, for what length of time?

A. Since July, 1936.

Q. And you became fiscal agent and have been continuously since then? A. Yes, sir.

Q. And you state as such fiscal agent, you had to do with the organization and refinancing of the District? A. Yes, sir.

(Testimony of Charles F. Lambert.)

Q. Just state generally what the plan of reorganization was and what you have done toward the reorganization.

A. Well, subsequent to my employment for the Provident Irrigation District in July, 1936, and immediately thereafter, a loan application made by the District was rejected, or refused, by the Reconstruction Finance Corporation, I think in September of that year. I contacted the control of the bondholders of the bonds which were represented by the Provident Land Corporation and the Provident Bondholders' Committee; by the control I mean more than 50 per cent, and through the years, 1936, 1937, and 1938, I was primarily interested in the litigation that was then brought and being prosecuted by the Provident Land Corporation, and the Bondholders' Committee, against the Provident Irrigation District. After the decision of the courts were handed down in those cases, it opened the way for the first time for the Provident Land Corporation and Bondholders' Committee to enter into negotiations for refinancing. During that period of time, a [42] complete study had been made of the Provident District, studies from the standpoint of the land within the boundaries of the District, as to its classification, soil, the productivity, and the economics connected with the irrigation of the land, and the plan was drawn, a temporary plan submitted to the Provident Land Company and other bondholders. After a month 66 $\frac{2}{3}$ per cent of the

(Testimony of Charles F. Lambert.)

bondholders had consented to the general proposal, and had signed agreements to accept the proposal as outlined. I then prepared an application to the Reconstruction Finance Corporation for reconsideration of the former loan application that had been rejected in 1936, and immediately following that application the R. F. C. sent out their engineer and appraiser, and he went over the properties of the district, and he went over the proposed plan, and on December 20, 1939, a loan grant was made under the plan as then outlined. Immediately following the acceptance of that, of the grant of that loan, I contacted all the bondholders, by correspondence and otherwise, and proceeded to secure the deposits of the bonds under the plan and under the terms of the R. F. C. loan resolution.

PETITIONER'S EXHIBIT No. 1

RESOLUTION OF RECONSTRUCTION
FINANCE CORPORATION

RE: PROVIDENT IRRIGATION DISTRICT

Docket No. Ref. 812

Whereas, Provident Irrigation District of Wil-
lows, California, an irrigation district duly organ-
ized under the laws of the State of California
(herein called the "Borrower") has applied to this
Corporation for a loan pursuant to the provisions of
Section 36, Part 4, of the Emergency Farm Mort-
gage Act of 1933, as amended, and

(Testimony of Charles F. Lambert.)

Whereas, the Borrower has represented that it has a project devoted chiefly to the improvement of lands for agricultural purposes and that in connection with such project it had incurred and now has outstanding indebtedness in approximately the following amounts:

Nature of Debt—Bonds.

Principal Amount—\$957,000.00.

Interest Unpaid on August 15, 1939—\$443,672.50.

Total Outstanding—\$1,400,672.50.

Such indebtedness is hereinafter referred to as the "Existing Debt" and the bonds and coupons or other instruments evidencing such debt are hereinafter referred to as the "Old Securities", and

Whereas, this Corporation has caused an appraisal to be made of the property securing and/or underlying the Old Securities of the Borrower and has determined that the project of the Borrower is economically sound, and now desires to make a loan to enable said Borrower to reduce and refinance all or by far the greater part of such Existing Debt on the basis of payments to holders of its Old Securities, or to Committees or other representatives of such holders, at the rates herein set forth.

Now, Therefore, Be It

Resolved that there is hereby authorized a loan to or for the benefit of the Borrower of not exceeding \$193,500.00. This loan and all disbursements made therefrom shall be subject to the terms and

(Testimony of Charles F. Lambert.)

conditions hereof and also subject to the annexed "Standard Provisions" which are made a part of this Resolution with like effect as if fully set forth herein.

1. Time Limits: The loan authorized hereunder shall be disbursed on or before January 31, 1940, unless this Corporation hereafter extends such time, but the Chief or Acting Chief of the Drainage, Levee and Irrigation Division of this Corporation (hereinafter referred to as the "Division Chief") may fix any shorter time within which such loan must be disbursed.

2. Deposit of Old Securities: See corresponding paragraph of the Standard Provisions.

3. Disbursements of or from the Loan: Disbursements to or for the benefit of Borrower shall be made of or from the loan authorized hereunder as will provide payments for each dollar of the principal amount of the Existing Debt of the Borrower, exclusive of interest, remaining unpaid at the time the first disbursement is made and (if there be more than one disbursement) also at the time of the last disbursement is made, depending upon the percentage or percentages of the total unpaid principal amount of the Existing Debt represented by the Old Securities deposited at the time of such disbursement or disbursements and at a flat rate or according to a graduated scale therefor as set forth in the following table:

(Testimony of Charles F. Lambert.)

| Percentage of Old Securities Deposited | Amount in cents to be paid for each dollar of unpaid principal amount of Old Securities Deposited |
|---|---|
| 100 per cent | 20.000 cents. |
| 99 per cent or more, but less than 100 per cent | “ cents. |
| 98 per cent or more, but less than 99 per cent | “ cents. |
| 97 per cent or more, but less than 98 per cent | “ cents. |
| 96 per cent or more but less than 97 per cent | “ cents. |
| 95 per cent or more, but less than 96 per cent | “ cents. |
| 94 per cent or more, but less than 95 per cent | “ cents. |
| 93 per cent or more, but less than 94 per cent | “ cents. |
| 92 per cent or more, but less than 93 per cent | “ cents. |
| 91 per cent or more, but less than 92 per cent | “ cents. |
| 90 per cent or more, but less than 91 per cent | “ cents. |

(a) No disbursement shall be made when less than 90 per cent of all of the Old Securities have been deposited but the Division Chief may require that a higher percentage be deposited as a condition precedent to disbursement.

(b) Deductions shall be made from missing coupons maturing on or before August 15, 1939, at the rate of not less than 12.27 cents for each dollar of the face amount thereof. All such deductions as well as deductions for coupons maturing subsequent to the above date shall be made as provided in paragraph 3(g) of the Standard Provisions.

4. Disposition of Balance: See corresponding paragraph of the Standard Provisions.

5. Loan. How Evidenced: See corresponding paragraph of the Standard Provisions.

6. Bond Counsel: See corresponding paragraph of the Standard Provisions.

(Testimony of Charles F. Lambert.)

7. **Date, Maturities and Interest of New Bonds:** News bonds shall be issued according to the provisions of the corresponding paragraph of the Standard Provisions; and in addition thereto no part of the principal thereof shall mature during approximately the first three (3) years of the period of the loan and such bonds shall mature thereafter in annual installments over a period of approximately thirty (30) years according to a maturity schedule satisfactory to the Division Chief.

8. **Covenants of the Borrower:** In addition to the covenants set forth in the corresponding paragraph in the Standard Provisions, the Borrower shall enter into the following special covenants.

None.

9. **Other Conditions Precedent:** This Corporation shall be under no obligation to make any disbursement of the loan authorized hereunder unless and until the Borrower shall have complied, to the satisfaction of the Division Chief and Counsel for this Corporation, with the conditions set forth in the corresponding paragraph of the Standard Provisions and also the following special conditions:

Special Condition No. 1: The Borrower shall make arrangements satisfactory to the Division Chief and Counsel for this Corporation, for the reduction in size of the District to approximately 13,000 acres.

Special Condition No. 2: The Borrower shall, at or prior to the time of disbursement of the loan,

(Testimony of Charles F. Lambert.)

discharge the lien of overlapping drainage indebtedness and settle ad valorem taxes on 11,294.49 acres of land owned by the Borrower.

Special Condition No. 3: The Borrower shall agree to apply all surplus funds on hand at the date of disbursement, and all subsequent net income from the sale of land owned by the Borrower, to the reduction of its indebtedness to this Corporation, except such amounts thereof as the Division Chief may deem necessary for rehabilitation, reserve, maintenance and operation requirements, bankruptcy proceedings and expenses incident to the re-financing.

Further resolved, that when requested, Counsel will prepare or approve all contracts or agreements concerning the loan authorized hereunder and when approved by the Division Chief and Counsel, the Treasurer of this Corporation is authorized and directed to execute the same in the name and on behalf of this Corporation.

Further resolved, that for the purpose of effecting the loan authorized hereunder the Treasurer of this Corporation be and he hereby is authorized and directed to make disbursements of or from the loan in the manner and when approved by the Division Chief and Counsel; also in connection with such purposes and when so approved to execute all instruments and take any other action, including the transfer, sale, surrender, cancellation, or holding in trust any of the Deposited Securities as security

(Testimony of Charles F. Lambert.)

for the loan or for paying in whole or in part the delinquent taxes upon any lands within or served by the Borrower or its project.

Further resolved, that the Secretary or an Assistant Secretary of this Corporation be and he hereby is authorized and directed to forward a certified copy of this Resolution to the Borrower and such other persons as may be requested by the Division Chief.

* * * * *

The foregoing is a true and correct copy of a Resolution duly adopted by the Board of Directors of the Reconstruction Finance Corporation on the 20th day of December, 1939.

[Seal]

T. T. HOBSON

Assistant Secretary.

STANDARD PROVISIONS OF RESOLUTIONS
OF RECONSTRUCTION FINANCE COR-
PORATION AUTHORIZING LOANS PUR-
SUANT TO SECTION 36, PART 4, OF THE
EMERGENCY FARM MORTGAGE ACT OF
1933, AS AMENDED.

The loan authorized in the annexed resolution (herein called "Resolution") of which this instrument is hereby made a part by reference and with like effect as if fully set forth therein and all disbursements therefrom shall be subject to the terms, provisions and conditions hereof, as follows:

(Testimony of Charles F. Lambert.)

1. Time Limits: This provision is set forth in the corresponding paragraph of the Resolution.

2. Deposit of Old Securities: The holders of Old Securities who join in this plan of refinancing shall deposit the same with one or more committees, depositaries, or other responsible representatives satisfactory to them, which shall consent to the plan of refinancing contemplated herein (hereinafter referred to as "Owners' Agents"), or shall otherwise give satisfactory assurances to the Division Chief and the General Counsel for this Corporation or Counsel designated by him for that purpose (hereinafter called "Counsel") that the Old Securities held by them will be subjected to such plan. In such latter case such holders are hereinafter referred to as "Consenting Owners". Old Securities thus deposited with Owners' Agents or so held by Consenting Owners, or however made available for refinancing, are hereinafter referred to as "Deposited Securities", and whenever securities are herein referred to as being "deposited" such term shall be taken to include any manner by which securities become "Deposited Securities". Each Owners' Agent shall be duly authorized to receive, receipt for and distribute all monies payable to holders of Old Securities thus deposited with it, without any duty or obligation on the part of this Corporation to

(Testimony of Charles F. Lambert.)

look to the application of such funds, to surrender the Deposited Securities and do all other acts and things necessary to enable the Borrower to effect a reduction in its indebtedness to the extent and in the manner contemplated herein. All disbursements made by this Corporation for the purpose of acquiring the Deposited Securities, or rights in or to the same, shall be deemed to be and shall constitute disbursements from the loan authorized in the Resolution.

3. Disbursements of or from Loan: In addition to the provisions set forth in the Resolution disbursements shall be subject to the following:

(a) All such disbursements shall be made to or for the benefit of the Borrower through the purchase of securities issued or to be issued by the Borrower or upon promissory notes collateraled by the obligations of the Borrower, as may be required by the Division Chief and Counsel.

(c) Disbursements shall be made only on account of Old Securities deposited on or before such dates as may be fixed or approved by the Division Chief, and in no event shall disbursements be made subsequent to the date set forth in paragraph 1 of the Resolution or such extended date as may be fixed by this Corporation as therein provided.

(d) If less than all of the Old Securities have been deposited but such a large propor-

(Testimony of Charles F. Lambert.)

tion has been deposited as may be required or approved by the Division Chief and disbursements are made on account thereof, and thereafter additional Old Securities are deposited within such time or times as may be fixed or approved by the Division Chief, the disbursements to be made on account of such additional Old Securities shall be on the same basis as that employed in making the first disbursement, and shall be made at such time or times as the Division Chief may determine.

(e) When, as a result of such additional deposits, the total percentage of all Old Securities deposited has been increased further disbursements shall be made on account of all Old Securities deposited in amounts equal to the difference between the amounts previously disbursed and the amounts that would have been disbursed if the increased percentage of Old Securities had been deposited at the time the first disbursement was made. Such further disbursement shall be made upon the final completion of the refinancing program unless the Division Chief fixes a different date.

(f) When any of the Old Securities are not deposited as herein provided but such Old Securities are nevertheless subjected to the refinancing plan herein contemplated and the obligation of the Borrower evidenced by

(Testimony of Charles F. Lambert.)

such non-deposited securities is thereby reduced in the same ratio and to the same extent as would have been the case if such non-deposited securities had been deposited, this Corporation shall be under no obligation to make any disbursements for the purpose of taking up or refinancing any of such non-deposited securities, but if they have been so subjected to the refinancing plan within such time as may be fixed or approved by the Division Chief prior to the date fixed in paragraph I of the Resolution, or such extended date as may be fixed by this Corporation as therein provided, they shall be added to the amount of Old Securities deposited for the purpose of determining the percentage of deposited Old Securities upon which disbursement shall be made.

(g) The Old Securities so deposited shall be accompanied by such appurtenant coupons, if any, representing interest accrued on or before the date fixed in paragraph 3(b) of the Resolution, generally termed the "Settlement Date", as may be required by the Division Chief and shall also be accompanied by all coupons representing interest payable thereon after such date. In case any such security shall not be accompanied by any coupons required by the Division Chief and representing interest thereon which accrued

(Testimony of Charles F. Lambert.)

on or before the settlement date, the amount to be disbursed therefor shall be reduced in such amount as may be determined by the Division Chief, but such reduction shall not be less than the amount fixed in paragraph 3 (b) of the Resolution. In case any such coupons are missing which may mature after the settlement date, the Division Chief may refuse to accept the Old Securities to which same are appurtenant, or if such securities are accepted there shall be deducted from the amount to be paid on account thereof an amount equal to the face value of such missing coupons.

(h) If any Old Securities shall be deposited without being accompanied by all the required coupons and if because of such missing coupons reductions are made in the amounts payable on account of such Old Securities, but thereafter such missing coupons are deposited within such time or times as may be prescribed or approved by the Division Chief, there shall be paid on account of such coupons subsequently deposited amount exactly equal to the sums which were originally deducted from the sum paid on account of such Old Securities to which such coupons appertained.

4. Disposition of balance: If the amount of the loan authorized in the Resolution exceeds

(Testimony of Charles F. Lambert.)

an amount which would be disbursed under paragraph 3 thereof if all of the Old Securities were deposited, plus any amounts authorized in paragraph 9 thereof, such balance may be applied in the sole discretion of and as may be approved by the Division Chief to either of the following purposes:

(a) To the payment to such persons as the Division Chief may designate of costs incurred in connections with this loan, for fees of bond counsel, printing and issuance of New Bonds, or appraisal of the lands within or under the Borrower, but only in such amounts as may be approved by the Division Chief.

In addition to the maximum amount of the loan authorized above, the Treasurer of this Corporation is also authorized to advance such sums as may be approved by the Division Chief for payment of interest adjustment on any New Bonds issued by the Borrower, and to avoid the necessity for issuance of any New Bonds having a principal amount of less than \$500.

5. Loan. How Evidenced: The loan authorized by the Resolution shall be effected in accordance with the terms and conditions hereof and in a manner satisfactory to the Division Chief and Counsel and unless they shall otherwise direct, disbursements of or from the loan

(Testimony of Charles F. Lambert.)

shall be evidenced by 4% bonds duly authorized and issued by the Borrower (hereinafter called "New Bonds") having a principal amount at least equal to the amount of disbursements to or for the benefit of the Borrower. Included among, but not limited to the ways for evidencing the loan are the following:

(a) As a condition precedent to the making of any disbursement, the Division Chief or Counsel may require the Borrower to duly execute or agree to execute such amount of its new 4% bonds as they may specify and when executed, deliver such bonds to a trustee or custodian satisfactory to the Division Chief and Counsel. Such Trustee or other custodian shall be irrevocably bound to exchange such New Bonds for a like or greater principal amount of the Old Securities held by or on behalf of this Corporation, at any time and place the Division Chief and Counsel shall so request, but the New Bonds thus deposited with the Trustee or other custodian shall have a principal amount at least equal to to the disbursements made or to be made to or for the benefit of the Borrower, with 4% interest thereon until the New Bonds have been received by this Corporation.

(b) In the event that all or such a large proportion of the Old Securities shall have been deposited as may be required or ap-

(Testimony of Charles F. Lambert.)

proved by the Division Chief and if the Division Chief shall deem it advisable to have the Old Securities so deposited cancelled before the same have been acquired by or on behalf of this Corporation and if the New Bonds have been duly authorized and issued by the Borrower, disbursement of or from the loan may be made directly to the Borrower for the purchase of New Bonds having a principal amount at least equal to the amount of the disbursements to or for the benefit of the Borrower.

(c) All or any part of the Old Securities acquired or held by or on behalf of this Corporation through any disbursement of or from the loan authorized hereunder as well as all rights in or to such Old Securities, may be kept alive for a greater or lesser time, and for the purpose the Division Chief and Counsel may deem necessary, but this Corporation may at any time require the Borrower to issue its new 4% bonds and exchange the same for the Old Securities held by or on behalf of this Corporation. Until such Old Securities have been exchanged for New Bonds, all such Securities as well as all rights in or to the same shall continue to be and constitute obligations of the Borrower for the full amount thereof and nothing in the Resolution shall be deemed to limit the right

(Testimony of Charles F. Lambert.)

of this Corporation to enforce or cause to be enforced full payment of principal and interest of such Old Securities as and when the Division Chief and Counsel shall deem it advisable to do so; however, if the Borrower shall, before any New Bonds are delivered to this Corporation pay or cause to be paid to this Corporation an amount in cash equal to the disbursements it has made to or for the benefit of the Borrower with 4% interest thereon until paid, this Corporation will thereupon surrender or cause to be surrendered the Old Securities then held by it or on its behalf to the Borrower but this clause shall not be deemed to be an accord in reducing the obligation of the Borrower for the full amount of such Old Securities.

(d) During the time any of the Old Securities are held by or on behalf of this Corporation, the Borrower will annually levy and collect taxes, assessments or other charges and cause the same to be paid over to this Corporation sufficient to pay the principal and interest upon the Old Securities according to their tenor and effect, but the Division Chief may reduce any installment thereof to an amount or amounts not less than may be necessary to pay principal and interest at the rate of 4% per annum on all amounts disbursed by this Corporation to or for the

(Testimony of Charles F. Lambert.)

benefit of the Borrower; such payments to be made by the Borrower according to a schedule of maturities satisfactory to the Division Chief.

(e) In the event promissory notes are executed to this Corporation by Owners' Agents or Consenting Owners, to evidence any disbursement or disbursements made of or from the loan authorized by the Resolution, such notes may provide that the makers thereof shall not be individually liable thereon. Each such note shall be collateralized by obligations of the Borrower as may be required or approved by the Division Chief and Counsel; shall give this Corporation authority at any time to surrender all or any part of the pledged securities or other collateral to the Borrower in exchange for New Bonds and shall also authorize this Corporation, upon first having requested payment of such note and payment having been refused, to purchase or otherwise *require* the title to the pledged securities or other collateral in any manner as may be provided for by such note, which note shall be in such form and contain such provisions as may be required by the Division Chief and Counsel.

(f) In the event that Counsel so requires, provisions shall be made for delivery to this Corporation of New Bonds having a princi-

(Testimony of Charles F. Lambert.)

pal amount equal to the sums owed to this Corporation on account of the disbursements it has made or may make to or for the benefit of the Borrower, upon the surrender and cancellation of only part of the Deposited Securities as Counsel deems the Borrower can lawfully accept in exchange for New Bonds. Promptly after effecting any such exchange of a part of the Deposited Securities for New Bonds, the Deposited Securities then held by this Corporation and which are not to be later exchanged for New Bonds or otherwise disposed of by this Corporation, will be promptly cancelled and returned to the Borrower.

(g) In the event that the Borrower shall institute legal proceedings for the purpose of subjecting its outstanding Old Securities to a plan of refinancing, the Division Chief and Counsel may give such approvals and consents that may be required to subject the Old Securities then held by or on behalf of this Corporation to any such plan which may be satisfactory to them and which will not result in the holders of any Old Securities receiving payments or benefits therefor in excess of what they would have received if such Old Securities had been voluntarily deposited as herein provided. The Division Chief and Counsel may impose any other reasonable

(Testimony of Charles F. Lambert.)

terms and conditions they may deem necessary or proper in so subjecting the Old Securities then held by or on behalf of this Corporation to the plan of refinancing proposed by such legal proceedings.

(6) Bond Counsel: In cases where the Borrower is a political subdivision and where New Bonds are to be issued, the Borrower at its own expense shall employ nationally recognized municipal bond counsel satisfactory to and approved in writing by Counsel. In case the Borrower is a private Corporation or association, it shall likewise at its own expense employ nationally recognized bond counsel satisfactory to and approved in writing by Counsel. The bond counsel thus employed shall prepare resolutions and proceedings authorizing an issue of New Bonds bearing 4% interest in such aggregate principal amount as may be necessary for the purpose of the proposed refinancing. Such resolutions and bonds shall comply in all respects with the provisions of Section 36, Part 4, of the Emergency Farm Mortgage Act of 1933, as amended. Such bond counsel shall submit drafts of such resolutions and proceedings to Counsel and secure their approval thereof before their adoption and upon delivery of such New Bonds shall give this Corporation such satisfactory preliminary and final opinions as to the validity thereof and the security therefor

(Testimony of Charles F. Lambert.)

as Counsel may require. The Borrower shall also furnish, at its own expense, such opinion or opinions of bond counsel as may be required by and are satisfactory to Counsel with respect to the validity of and security for any Old Securities pledged as collateral for notes taken by this Corporation or otherwise acquired by it.

(7) Date, Maturity and Interest of New Bonds: Such New Bonds shall bear such date as shall be satisfactory to the Division Chief and Counsel. If the Borrower may legally do so, such annual maturities, so far as practicable, shall be such that the totals of the sums payable for interest and for the retirement of bonds shall be approximately the same in each year during which there is a maturity. Interest on New Bonds is to be paid semi-annually unless the Division Chief shall otherwise direct. Subject to the approval of Counsel as to the validity thereof, all New Bonds issued by the Borrower to evidence the loan shall provide that all interest coupons appertaining to the New Bonds shall if not duly paid at maturity thereafter bear interest until paid at the rate of 6 per centum (6%) per annum.

8. Covenants of the Borrower: The loan authorized in the Resolution shall not be disbursed as herein provided until after the Borrower shall have adopted resolutions or otherwise have entered into satisfactory agreements

(Testimony of Charles F. Lambert.)

providing that so long as this Corporation holds any of the Old Securities or any rights in or to same, or so long as any of the New Bonds remain outstanding:

(a) **Validity of Deposited Securities:** The Borrower will warrant the authenticity and validity of the Deposited Securities acquired by the Corporation or help in its behalf and will protect and indemnify the Corporation against any loss, damage or expense suffered or incurred by the Corporation in the event of any such Deposited Securities shall be held or found to be invalid or unenforceable.

(b) **Statutory Covenants:** The Borrower will not issue any other bonds having security similar to that of the New Bonds or of the Old Securities pledged with or acquired by this Corporation except with the consent of this Corporation; in so far as it may lawfully do so, so long as any part of such loan shall remain unpaid, the Borrower will in each year apply to the repayment of such loan or to the purchase or redemption of the obligations issued to evidence such loan, an amount equal to the amount by which the assessments, taxes and other charges collected by it exceed (a) cost of operation and maintenance of the project, (b) the debt charges on its outstanding obligations, and (c) pro-

(Testimony of Charles F. Lambert.)

vision for such reasonable reserves as may be approved by the Division Chief and Counsel, and the Borrower will reduce in so far as it lawfully may, the annual taxes, assessments and other charges imposed or collected by it for or on account of the project by an amount proportional to the reduction in the corresponding annual requirements for principal and interest of the outstanding indebtedness by reason of the operation of Section 36, Part 4 of the Emergency Farm Mortgage Act of 1933, as amended.

(c) Cash Operating Basis: In the period prior to the first maturity on such New Bonds, or in case no New Bonds shall be issued, then in the period of three years after the first disbursement of the loan shall be made hereunder, or such longer period as may be fixed by the Division Chief, the Borrower will cause to be levied and collected sufficient assessments, taxes, or other charges to pay all of its operating costs for such period, all tax anticipation obligations of every kind for which it has outstanding and all other indebtedness of the Borrower which is then due and payable or becomes due and payable during such period, and in addition thereto, to leave the Borrower at the end of such period with sufficient cash on hand to

(Testimony of Charles F. Lambert.)

pay all obligations which it should meet before the time when its next assessments, taxes or other charges become payable, to the end that after the expiration of such period the Borrower will operate on a cash basis with no tax anticipation warrants, notes or other like obligations then outstanding. After the date when the first disbursement of the loan is made hereunder, the Borrower will not incur any indebtedness of any kind unless it can pay such indebtedness then due from cash on hand or which it will have on hand at such time from its normal sources of revenue and it will not issue any tax anticipation warrants, notes or other obligations of any kind without first securing the written consent of the Division Chief.

(d) Notice of Meetings: The Borrower will give this Corporation ample notice of any meetings of its governing body at which any matters of importance are to be acted upon, accompanied by a brief statement of the nature of the matters to be considered at such meeting, and this Corporation shall have the right to have any duly authorized representative present at such meeting.

(e) Physical Condition: At the end of each six months' period the Borrower will furnish this Corporation with a statement as

(Testimony of Charles F. Lambert.)

to the physical condition of its project and all properties owned or maintained in connection therewith, which statement shall be signed by two of its executive officers and its engineer, if it has such an employee.

(f) Annual Budget Reserve: In each year the Borrower will prepare an estimate of the amounts which it will be required to pay out during each month of the following year, a statement of the cash it then has on hand and an estimate of the cash it will receive during each month of the next year. Such estimates, particularly during the earlier years, shall provide for building up such suitable reserve as may be required by the Division Chief and Counsel for payment of principal and interest in bad years. Such estimates shall be submitted to this Corporation within sixty (60) days prior to the date when the rate or rates of assessments or charges are fixed in each year, and the Borrower agrees that in levying taxes, assessments or charges for the following year, it will comply with all reasonable suggestions or requests made to it by this Corporation in connection therewith.

(g) Report on Assessments or Charges Levied: Promptly after the levy of any assessments, taxes or charges, the Borrower

(Testimony of Charles F. Lambert.)

will notify this Corporation of the amounts of such taxes, assessments or charges showing separately the respective amounts thereof levied for each of its funds.

(h) Annual Reports: Promptly upon the making of any audit of the business of the Borrower for any year pursuant to the terms of any statute, rule or regulation applicable to such borrower, it will furnish this Corporation with true copies of such audit reports. In the event that such reports shall fail to show all receipts and disbursements of the Borrower for the preceding year, including a separate statement of all sales of lands or other properties owned by the Borrower, the Borrower will, within 30 days after the close of each of its fiscal years, furnish this Corporation true and accurate reports thereof. The Borrower will also furnish this Corporation with all other reports it or its duly authorized representative may from time to time request in writing. Within thirty (30) days after the close of each of its fiscal years, the Borrower will also furnish this Corporation a statement giving the name of each landowner within or under the Borrower who has failed to pay any taxes, assessments or charges imposed by the Borrower which were payable within the prior year, a brief

(Testimony of Charles F. Lambert.)

description of the land or properties subject to such taxes, assessments or charges, a brief statement of what steps have been taken by the Borrower or others to enforce collections thereof. The Borrower shall also report any lands or other properties acquired through foreclosure or otherwise during each year.

(i) Attorney for the Borrower: In the event that this Corporation so requests, the Borrower, at its own expense, will engage any responsible attorney or attorneys designated by this Corporation, and shall confer upon such attorneys full power and authority to enforce collection of any delinquent taxes, assessments or charges, or to perform any other duties of a legal nature.

(j) Litigation: The Borrower will promptly notify this Corporation of any litigation which may be instituted involving the Borrower.

(k) Access to Records: The Borrower will at all times give this Corporation full access to and copies of all records, reports and files of the Borrower and its governing authority.

(l) Successor: All resolutions and agreements by the Borrower will provide that any consents that may be given by this Corporation and any rights thereby conferred upon

(Testimony of Charles F. Lambert.)

it or on its behalf may be exercised by its lawful successor or successors, or by any person or persons that may at any time be designated for that purpose by this Corporation, its successor or successors.

9. Other Conditions Precedent: This Corporation shall be under no obligation to make any disbursement of the loan authorized in the Resolution unless and until the following conditions have been complied with to the satisfaction of the Division Chief and Counsel:

(a) Re-assessments: Unless the Borrower shall have complied with any requirement imposed for reassessment of benefits or the adjustment of charges affecting the lands within or under such Borrower and with any requirements that may be imposed in connection with the adjustment or collection of taxes, assessments or charges that are now delinquent.

(b) Exclusion of Lands: Unless the Borrower shall have complied with any requirement imposed for the exclusion of lands which are deemed unproductive or for other reasons should not be included in or under the Borrower.

(c) Disbursement of Monies, Committee Expenses: Unless the monies to be disbursed will be equitably distributed to the holders of

(Testimony of Charles F. Lambert.)

the Deposited Securities, in proportion to the respective values thereof at the ratio fixed in the Resolution for the purpose of refinancing. The Owners' Agents shall submit to the Division Chief such statements of their expenses and of the compensation which they proposed to pay to depositaries, committee members and others, as may be required. If the Division Chief shall notify such Owners' Agents in writing that any such expenditures are not approved, and if such Agents fail to procure such reductions in said charges as may be required, the loan shall not be disbursed.

(d) **Legal Proceedings:** Unless Counsel and the Division Chief shall approve all resolutions and proceedings incidental to the authorization and issue of any New Bonds and the Deposited Securities, the security therefor and all proceedings in connection with the acquisition of such obligations by this Corporation, the pledging of Deposited Securities to this Corporation, the exchange of New Bonds therefor and the cancellation of Old Securities.

(e) **Representations:** If any representation or statement made to this Corporation in the application for this loan or any supplement or amendment thereof, or otherwise, shall be found to be incorrect or incomplete in any material respect.

(Testimony of Charles F. Lambert.)

(f) Financial and Physical Condition: If, in the judgment of the Division Chief, there shall have been any material change in the financial condition of the Borrower or in the physical condition of its properties as theretofore represented to this Corporation.

(g) Opinion of Counsel: Unless Counsel for this Corporation shall be satisfied with all opinions rendered by municipal bond counsel as to the validity of and security for, the Deposited Securities and the New Bonds.

(h) Satisfactory Performance: Unless all terms and conditions of this resolution and of Section 36, Part 4 of the Emergency Farm Mortgage Act of 1933, as amended, shall have been complied with to the satisfaction of the Division Chief and Counsel.

Adopted Jan. 2nd, 1939 by Provident Directors.

[Endorsed]: Filed Nov. 18, 1940.

Mr. Freeman: I don't want to interrupt you, Mr. Lambert, but I want to go back. Now, I want you to tell the Court just how the plan of the pay off of the obligations of the District, how the same was emanated, and what the whole plan was.

A. The difficulty in the Provident District differed from some of the other districts that have

(Testimony of Charles F. Lambert.)

been refinanced, owing to the fact that the Provident District had been in default such a long period of time, in such complete default that the County of Glenn, and the County of Colusa, and the Reclamation District No. 2047, those two taxing units overlapped all of the lands of the Provident District, and Reclamation District 2047 had [43] acquired its title to the lands, and the County of Glenn and Colusa acquired title to the lands, by reason of the lands being delinquent for more than five years, and the Irrigation District had acquired title to all but 350 acres, approximately 350 acres of the land. That taxing burden of the counties and the reclamation district made it very difficult to work out a plan of refinancing through a loan. The only way the District could be rehabilitated, and reorganized, was to first cast out all of the non-agricultural lands within the boundaries of the District, and set up a new district, so to speak, within the area of the old original district; then to get, to secure additional financing necessary beyond the amount that the Reconstruction Finance Corporation would loan upon the bonds of the then reorganized district, and find purchasers for the lands remaining in the district, in sufficient amount to meet the charges of the counties and the State, and the reclamation district—clear the title from the reclamation district, the county, and the State. That necessitated a great deal of work, in connection with the land sales, and I might say that land

(Testimony of Charles F. Lambert.)

sales in the Sacramento Valley, particularly rice land, have been very limited for the last ten years, so in working out the plan of reorganization every advantage had to be thrown to the lands to be sold in order to induce purchasers to buy them. And take the sums of money, plus the sum of money necessary to meet these obligations of the county taxing agencies and the R. F. C. loan. Your Honor has to do only with the bonds, the 20 per cent on the dollar payment; that is applied only to the bonds of the District then outstanding. The conditions of the loan then provided that the District had to secure money from the other people through the source, the only source, which was the sale of [44] those lands, in order to secure the money to quiet title from the Reclamation District, the county, and the State Controller. That I think generally covers the situation.

Q. All right. Tell us what the outstanding obligations of those lands were in addition to what they owed the Provident Irrigation District.

A. In 1936, before the reorganization was undertaken, over the entire area, the total obligation outside of the Provident Irrigation District bond obligation was \$652,485.02, covering the 22,805 acres of the gross District area. Under reorganization, 9,924.25 acres was excluded from the boundaries of the District, which represented a total obligation for Reclamation District, and County taxes, of \$339,972.04, leaving \$312,512.98, the outstanding

(Testimony of Charles F. Lambert.)

obligation which had to be cleared before the District could perfect its loan obligation to the Reconstruction Finance Corporation. By the purchase of the land from the Reclamation District No. 2047, and the County of Glenn, and the State Controller, that—about \$312,512.98, had to rest entirely against 11,294.49 acres, for the reason that at the time of the reorganization, 1586.78 acres were owned by individuals making a total area of the District, as now organized, and as subject to this R. F. C. loan of 12,881.27 acres. I can give a breakdown of that if you wish it for the record, but those are over-all figures.

Q. That is sufficient. What is the quality of the land, going back to the formation of this District, what is the agricultural value of that land, not in dollars, but in productivity, what kind of crops?

A. At the time of the organization?

Q. Yes. [45]

A. Prior to the organization of the Provident Irrigation District, and ever since, the land has been in private ownership, at least 70 per cent of the area had been used for pastoral purposes. The balance was used for growing grain, principally barley, and for summer fallow crops.

Q. Go ahead now, as to the formatoin of the District, to what it was adapted.

A. Well, the story is an old one. During the rice days of War days, rice became a very high price, and most any kind of land would grow crops at a

(Testimony of Charles F. Lambert.)

profit. Well, after the District was organized it went into immediate production, leaving landowners at that time with the high prices of 1919 and 1920. From that time on, crop results were obvious. The lands were owned by the District, being practically one ownership, they were known as the Gross Shand Company, with the lands represented by various owners but they were all part of the organization of the original ownership of the District. Beginning in 1920 and with the crash of the price of rice, the land carried on for a period of years, everyone hoping to recover, and the lands met their assessments and charges, until the bond issue of the Reclamation District 2047, which overlaps seven irrigation districts in the Sacramento Valley, and on the land of the Provident District, became due. When the landowners only had to pay interest, they struggled and made up their losses, keeping their assessments intact, but with the falling due of the Reclamation District bond principal charges, the lands went into default. During all of that period of time from practically 1922 to 1930, the land owners suffered losses and failed to maintain their lands, and the heavy alkali lands, which is represented by the 9.924 acres, that was excluded, went out of complete production, which left [46] the burden pyramided on the remaining lands, and the landowners, through failure to be able to maintain their lands, and farm them in the proper farmlike manner, brought about a condition in low crop production, so that in

(Testimony of Charles F. Lambert.)

1936, when I was employed by the District, the average crop production of rice had hit a low of 19.08 bags of rice per acre. Subsequent to 1936, and carrying along through until the refinancing was completed in this year, rice has been up and down in price, production has fluctuated between 20 bags and 30 bags, and there was no apparent way—no apparent future to work this project out and rehabilitate it, and put it back in production, put it back on the county tax rolls, only through a re-adjustment of the District's bonded debt burden, and adjustment with the Reclamation District bond debt burden, and the county bond debt burden, as assessments, and the bondholders of the Provident Irrigation District, through the very liberal loan grant of the Reconstruction Finance Corporation, received 20 cents on the dollar of their principal amount of debt. The County of Glenn with nine years of delinquent taxes and through the State Controller accepted 10 cents on the dollar for their debt. The Reclamation District, because of peculiar situation connected with the law of assessment for benefit of a reclamation district, and through the sale of the land, probably receive 35 cents on the dollar for their debts, and in the seeking of purchasers for these lands, the purchaser had to be convinced that the future tax load of the county would be held at a minimum and the Reclamation District Assessment would be held at the minimum, otherwise there would be no opportunity to find

(Testimony of Charles F. Lambert.)

buyers at any price. The lands were sold at an average price, slightly less than \$10.00 an acre, I am speaking of the 11,294.49 acres [47]

Q. Those that you eliminated?

A. No, those lands were left in the District, those lands had carried the burden of the other lands, so that—I meant in working it out about \$10.00 an acre—the purchaser of these lands had to pay, in making these sales. There were forty-six separate land sales, and we had to take into consideration the agricultural crop control and hold the farms in small ownership and convert practically tenants into the landowner, and that is what has been done. Practically all of the lands have been purchased by tenants who have been farming the land in the past, and further than that, in order to induce them to buy, in order to complete the loan obligations of the Reconstruction Finance Corporation, we in our sales provided that the crops now growing and being produced for the year 1940 on those lands are to be pro-rated—that is the income from those crops to all landowner purchasers. That is the general basis of the relation of their purchase price in ratio. Those moneys, however, had to be used by the landowner entirely in preparing their lands by leveling and taking up willows and rehabilitation work. I don't mean by that, the owners get cash to spend for any purpose they see fit, but they, whatever crops accrue in the District this year, receive that money to be expended on the

(Testimony of Charles F. Lambert.)

lands, otherwise I couldn't find buyers at all. They had to have funds to work out the land and rehabilitation work necessary, to make it productive. Under supervision, that will be done. The Superintendent of the District under the agreement—money will be given to each purchaser and the money accruing will be expended and partly used by the District, only on certificates of the Superintendent that the money has been spent in leveling the [48] land. That is all part of the plan that was originally proposed, and had to be worked out on that basis in order to qualify as to the Reconstruction Finance Corporation, special specific conditions that they set up there in the land grant. As to the land outside of the District, this 9,924.25 acres, those lands are owned jointly today by the Irrigation District, by the Reclamation District, and by the County of Colusa, and the County of Glenn, and the debt burden on that land as was testified is \$339,972.00. We know of no way of bringing about an adjustment between the County and the Reclamation District that will permit those lands to be sold at any price, and provide any sum for the Irrigation District. Obviously the debt is practically \$34.00 an acre, and when it is pro-rated back among the three taxing agencies, there will practically be no land, and the best value we know of the land is that the Interior Department, through the Biological Survey, are now contemplating, and so advise, they intend condemnation proceedings against the land to add

(Testimony of Charles F. Lambert.)

to the Sacramento Valley Wild Fowl Refuge. They have fixed a figure of \$7.00 an acre, and \$7.00 an acre obviously will not permit any district to secure any sum of any amount when the taxing agencies have to get theirs first. Those lands are off the permanent taxing rolls. The counties insist, and certainly will make a considerable showing, that those lands be off the taxing rolls as they had at the time when they condemned other lands, the county got just tax assessment. The tax assessment on this land is \$64,000.00, so that at \$7.00 an acre, Colusa County would practically take all of the condemnation figure. So from the standpoint of the Irrigation District, it is very improbable that any sum will accrue to their credit at all, and if so whatever the amount, that sum of [49] money should be paid over to the Reconstruction Finance Corporation as a credit on the bond issue. and was considered at the time when the loan grant was under consideration by the Reconstruction Finance Corporation.

Q. Now, Mr. Lambert, the irrigation system of this Provident land was built in 1918, wasn't it, or 1917?

A. It was started in 1917, the spring of 1917, at the beginning of the War, and it was completed in the spring of 1918.

Q. These lands at that time were adapted for the great part to rice, they were put in condition by leveling?

A. That is right.

(Testimony of Charles F. Lambert.)

Q. And have the structures in the canals—drainage canals of the Provident Irrigation District been kept up all these years in proper shape?

A. No. Obviously when everything slid downhill, there was no money available to do the necessary maintenance work. The structures are antiquated, mostly wooden structures, and have been replaced, some of them have been replaced over the period of years from time to time. The canal system itself has deteriorated materially, and had only necessary maintenance work to carry small quantities of water during the time the land grew out of production, there was small demand for irrigation water and small use, therefore small sums of money were required. Now, of course, under the rehabilitation plan, considerable expenditure has been made, and has to be paid for by the landowners, in order to put the canal system back into production, but there will be a saving to the District in in so far as those lands in the lower excluded area are concerned, because there will be no further obligation in bringing water to them. I am speaking only of the 12,000 acres now remaining in the [50] organized district.

Q. In the reorganized district, the evidence shows that the bonded indebtedness against the land is \$193,500.00; is that correct?

A. It will be under this plan.

Q. What is the debt per acre?

(Testimony of Charles F. Lambert.)

A. Approximately an average of \$14.50 per acre.

Q. In addition to that, the buyers and new purchasers paid approximately \$10.00 an acre for the land? A. That is right.

Q. Now, then, that land, is that adaptable to anything else now but rice?

A. Well, a survey shows that out of 13,000 acres, about 1,100 acres can be used for ladino clover, because of the steepness of its slope, drainage conditions, the close availability of a constant supply of water throughout the season, and probably—well, not over 200 acres—can be planted to alfalfa.

The Court: Do they raise any melons?

The Witness: Melons? Not on this land, your Honor. This land has heavy alkali. A close survey of the excluded land shows that about 6,500 acres of excluded area has 1 to 3 per cent alkali, which puts it out of producing anything. Clearly the lands remaining in the District are hilltop land and that lie in the basin where the Sacramento River seeps through and pours its water through the levee base, and to the west where the foothill streams come in from the west and flow in a southeasterly direction. It is really the beginning—that is, part of the lands of the area at the head of the Yolo Basin between here and Davis, where the water comes in from the river and from the foothills. It is low-lying heavy clay with some adobe, and with [51] some alkali showing in the lower strata.

Q. Subject to overflow in the winter then?

(Testimony of Charles F. Lambert.)

A. The greater portion of it, yes.

Q. Is that land able to carry a greater load than will be put against it under this new bond issue?

A. I would say not. I would say that the land could not carry any additional load, and cannot carry this load if agricultural conditions turn any more adverse than they have in the last five years. This whole plan is all predicated on the last five years basis, in order to strike an average and to take into consideration the value of crops produced. Costs of production have come down, making it more feasible now; in my opinion, ten years ago it could not have been done, for the reason that the cost of production was so much higher than it is today. Machinery and new methods have come in, making it possible to grow rice at a lesser cost than before.

Q. Can rice be grown on these lands every year, year after year?

A. No, in fact there are no lands I know of that can grow rice every year. The best practice on those heavy clay lands that could be expected to obtain would be a rice crop every alternate year, and on some of the lower grades of land, about 2,500 acres of this area, in my opinion should not be planted to rice only once out of every three years. For the Court's information, in classifying this land, it was classified not by myself but under my direction—I used the tenants who had farmed the land for years, and people who had been ac-

(Testimony of Charles F. Lambert.)

quainted with its production, and we classified it and found that 9,169 acres was what was called A Class or the best class of rice land, and 2,715 as B Class, and 1,655 acres as C, 96 as D, and being practically waste or worthless, and when sold was sold at \$4.00 an acre for [52] pasture purposes.

Q. Now then, Mr. Lambert, you spoke about the price of rice in the boom days, what prices were obtained then, at the time these lands were adapted to rice?

A. At the time this bond issue was put on and sold, during that particular time, rice was as high as \$8.50, and some crops reached \$250.00 an acre. Crop revenues were obtained from that land, even on alkali land, being a virgin land. Those lands being of inferior quality to any so-called quality lands, would produce, in some instances, two new crops of rice—35 bags. Immediately, of course, they went out of production and produced nothing, but they hit it at the time of high prices—\$6.00, \$4.50, \$8.50, which was the general selling price of rice from 1919, the spring of 1919, to along about July of 1920.

The Court: What was the high and low for the last ten years?

The Witness: The high and low? I have had occasion to make a study in connection with the other matter before the Court, rice went as low as 65 cents a hundred, during 1931, 1932 and 1933, and practically all of this land went off production.

(Testimony of Charles F. Lambert.)

It ran up to 85 cents. In making the estimates, we based the price of rice on an average of a dollar in order to make a conservative value for lower prices. If rice production can be stepped up, by good farming methods, and fertilization, taking it on a dollar with the 40 sack crop production, landowners will be able to meet their charges as they mature, their taxes, their reclamation assessments, and their bond charges under this loan.

The Court: At any time in the last ten years has it gone higher than \$1.10?

The Witness: Yes, in the last ten years it has gone as high as \$1.65 a hundred, but we have dealt in averages in trying to [53] see what the lands would produce at the minimum revenue, to meet outside charges on this theory. We have found that landowners will not long maintain their payments out of capital, if they can't maintain it out of income, they soon throw it overboard and it goes off the assessment rolls and goes delinquent.

Mr. Freeman: Q. Have you made a schedule, Mr. Lambert, of the times that these lands started going into default?

A. Yes, I have studied that matter from the records of the District showing what actually occurred in the Provident Irrigation District. Assessments from 1924, to and including 1939, as to the number of acres assessed, the acres sold, the tax assessed, the acres redeemed each year and deeded to the District. Practically the large area of land deeded to

(Testimony of Charles F. Lambert.)

the District shown in this study shows that in 1934, the District took title to 6,671 acres; in 1937 it took title to 6,654.02 acres; and prior thereto, in 1929, even back in 1929, the District took 54 acres; in 1928, it took 3,089 acres; in 1927, it took 2,614 acres. By taking title, I mean, your Honor, that the land had been delinquent for three years past, and the fourth year the District takes title to it. So at the beginning of the smash, beginning in 1926, the first year the District began to take title, through the years 1937, 1938 and 1939—no, I beg your pardon, through the years 1927, 1928, 1929, 1931, 1932, 1933, 1934, 1936, 1937 and 1938, during all of those years the District took title by deed to land that had been delinquent for more than three years, so the actual delinquency took place prior to 1924, for those lands were deeded in 1926.

Q. Now, as fiscal agent for the District, have you been paid by the District for your services?

A. Yes, sir. [54]

Q. During all that period of time, Mr. Lambert, how much has the Provident Irrigation District paid you as fiscal agent for reorganizing and refinancing?

A. During 1936 they paid me \$2,000.00. Subsequent thereto and to the completion of my work, including the reorganization and refinancing, the sale of all these lands up there, the total amount I received has been \$20,300.00, for which I may explain to the Court I have also paid my own ex-

(Testimony of Charles F. Lambert.)

penses, there has been no expenses paid by anyone during that four year period. My full compensation has amounted to \$20,300.00, excluding all costs during that period of time.

Q. Have you received anything or had any agreement to receive anything from any bondholder for this refinancing? A. No, sir.

Q. Now, have you followed through, Mr. Lambert, prior to the time you became fiscal agent, as to the value these bonds had on the market—the Provident Irrigation District bonds?

A. I made a complete study of bond values, when I was first employed by the District—by the Provident District.

Q. Do they have a market?

A. Yes. The only way we can go by market, your Honor, is what was actually offered. The standing offer one purchaser, who had hold then of 125 bonds, was \$10.00. He had a large block, which was rated the controlling block, but in small blocks they were traded around and coupons were dealt freely with on the street, at prices of from \$5.00 to \$7.00 to \$10.00 prior to 1936. The offer that I know of being made by this large bondholder, was made in 1938, when he offered to pay \$10.00. That bondholder subsequently put in his bonds under the reorganization plan at twenty. [55]

Q. Now, with all of the knowledge that you have about all of the reorganization, and the values of these bonds, could you say whether or not the plan

(Testimony of Charles F. Lambert.)

of composition is made in good faith by the District?

A. Yes, sir. There can be no question raised there, of good faith. It is the only plan the District could work out over a period of years. They have attempted and tried to make some adjustments.

Q. So far as the creditors are concerned, is the plan fair, equitable and for their best interests?

A. Yes, sir, there is no way they could secure any greater amount.

Q. Then does it discriminate unfairly against any of the creditors?

A. I would say not, except this one possible thought that came to me when we were discussing this between you and Mr. Cook, in devising this plan, every attempt and effort was made to see that every bondholder received exactly the same, but as to those bonds Nos. 7, 8 and 9, maturing August 15, 1930, the only reason that interest wasn't paid on those bonds was because the interest had matured and was fully paid on August 15. Now, all of the bondholders are receiving exactly the same, with the exception of the interest on those three bonds, which would be from August 15 to January 1, 1931—August 15, 1930, to January 1, 1931, and we could not pay interest on those, because there were no coupons attached. Under the Reconstruction Finance Corporation plan, and under our plan, if there is any prejudice at all, it would be that these owners of those three bonds would lose the

(Testimony of Charles F. Lambert.)

interest from August 15, 1930, to January 1, 1931.

Q. Well, under the bond contract were they entitled to any?

A. Under our system—under the bond contract, no, but under the [56] plan of reorganization, we picked up and paid all coupons prior to January 1, 1931. We paid all coupons—

Mr. Freeman: Coupons are paid on these three—They are not?

A. Coupons were paid prior to January 1, 1931, on July 1, 1931, for the reason that a portion of the coupons had been paid from January 1 to July 1; so as to equalize it, the balance of the coupons, we paid all coupon holders from the source of these sales, not from the Reconstruction Finance Corporation, but from the source of these sales, a full payment on their coupons, but as to these three matured bonds, no coupons having matured August 15, the loss would be \$22.50 a bond or \$67.50, that these bondholders would suffer. As far as I can see, it is the only one instance where all bondholders are not receiving the same.

Mr. Cook: May I interrupt at this point? What did you say about the principal of those bonds? Why shouldn't the principal of those bonds be paid, since the principal is due in 1930?

A. I am not raising a legal question, I am only stating the fact that the Reconstruction Finance Corporation are refinancing \$957,000.00 of bonds at 20 cents on the dollar, and that the Provident Irri-

(Testimony of Charles F. Lambert.)

gation District, under its plan of composition, provides the only way it can of equalizing all of the bondholders' payments. Now, there was no way of setting up a complete plan, we could not provide the payment of interest on bonds on which no coupons were attached; incidentally, those three bonds had matured in August of 1930. There is no difference in considering, if I may clear myself, as far as principal is concerned, whether bonds matured in 1922, 1921, 1930—were paid 20 cents on the dollar of the par value of those bonds. The only difference there is is where it comes to interest payment, in order to [57] equalize it and make it equal to all bondholders.

Mr. Cook: The only thing is, Mr. Lambert, there aren't any other earlier bonds that haven't been paid. A. That is right.

Mr. Cook: These are the only ones that haven't been paid up to January, 1931.

A. 1931, that is right.

Mr. Cook: You are familiar with the fact they were presented for payment in January, 1931, and that payments to other bondholders have been made since that time; are you familiar with that fact?

A. No, I doubt whether other bonds have been paid since that time, in fact I have no knowledge of it.

Mr. Freeman: Q. Isn't it true, Mr. Lambert, so far as the fact of interest composition is concerned, they draw interest only from the time of

(Testimony of Charles F. Lambert.)

redemption and presentation? These were presented after January 31, 1931. Is there any question of interest as of August 15?

A. I don't know that; I haven't checked that angle of it, at least I don't recall it.

Mr. Cook: This is a financial statement, I presume, of the District, as of December 31, 1935, and I note an item there of bonds redeemed, \$2,000.00. That is in the year 1935.?

A. Yes, what were they?

Mr. Cook: I don't know. That is a statement of the District.

A. I wouldn't know what it is. The redemption of those bonds may be redeemed in cash or they may be redeemed in sales of land. If that is true, they would sell lands, and would acquire bonds, but they acquired it in lieu of cash, and the District canceled [58] a great number of bonds.

Mr. Cook: Q. That is a cash statement of their total receipts and disbursements for that year?

A. That is correct.

Mr. Cook: I would like to offer this statement as Respondent's Exhibit A.

(Thereafter the statement was marked Respondent's Exhibit A.)

(Testimony of Charles F. Lambert.)

RESPONDENT'S EXHIBIT A

Provident Irrigation District

STATEMENT OF RECEIPTS AND
DISBURSEMENTS

Year Ended December 31, 1935

| | | |
|---|-------------|-------------|
| Balance on Hand—December 31, 1934 | | \$17,151.95 |
| Receipts: | | |
| Assessments 1930 | \$ 1,607.17 | |
| Assessments 1934 | 25.65 | |
| Assessments 1935 | 45.00 | |
| Water Tolls | 26,098.25 | |
| Incomes from Land..... | 25,071.94 | |
| Interest on Deposits..... | 199.92 | |
| Sale of Copper—Power Line..... | 267.30 | |
| Miscellaneous | 26.09 | |
| | | <hr/> |
| Total Receipts | | 53,341.32 |
| | | <hr/> |
| | | 70,493.27 |
| Disbursements: | | |
| Bonds Redeemed | 2,000.00 | |
| Interest Coupons | 3,120.00 | |
| Interest on Registered Bonds & Coupons | 1,328.13 | |
| Administration Expense | 3,766.80 | |
| Legal Expense | 726.60 | |
| Maintenance: | | |
| Canals | \$ 3,896.86 | |
| Pumps | 1,155.48 | |
| Flumes | 448.46 | |
| Bridges | 380.96 | |
| Drains | 3.48 | |
| Drains—Ruth Dredger | 2,176.74 | |
| Telephone Lines | 66.33 | |
| Insurance | 409.29 | |
| | | <hr/> |
| Total Maintenance | | 8,537.60 |

(Testimony of Charles F. Lambert.)

Operation:

| | |
|-----------------------|-----------|
| Canals | 2,256.20 |
| Power | 959.22 |
| Pumps | 2,281.05 |
| Automobiles | 1,371.81 |
| Water Purchased | 18,379.60 |
| Surveying | 31.11 |
| Land Operation | 2,942.88 |

Total Cost of Operation..... 28,221.87

Total Disbursements 47,701.00

Balance on Hand—December 31, 1935 \$22,792.27

State of California
County of Glenn—ss.

L. M. Benoit, being duly sworn, deposes and says: That he is the Secretary of the Board of Directors of the Provident Irrigation District; that the foregoing is a full true and correct statement of the receipts and disbursements of said district for the year 1935, together with the source of such receipts and purposes of said disbursements.

(Seal) L. M. BENOIT

Subscribed and sworn to before me this 22nd day of January, 1936.

LOUISE REESE

Notary Public in and for the County of Glenn,
State of California.

[Endorsed]: Filed Nov. 18, 1940.

(Testimony of Charles F. Lambert.)

Mr. Cook: Isn't it true that all bond principals that matured before January 1, 1931, have been paid, except these three bonds?

A. That is correct.

Mr. Cook: I think that presents our point, in that all bonded principal and all interest which matured on July 1, 1931, or before that time, is paid, except these three thousand dollars of principal. I hadn't even thought about that small amount of interest; as a matter of fact, why wasn't it paid?

A. The R. F. C., in making their loan,—there are \$957,000.00 of outstanding bonds. We could not pay them because they will pay 20 cents on the dollar. They are refinancing only \$957,000.00 of bonds. We ourselves—I am speaking of the District—through other sources stepped down to pick up a source of equalizing and to treat everybody alike picked up this extra insurance, some \$22,000.00, and then we picked up from the sale of the land, in order to make that difference. The only difference that I am calling your Honor's attention to is this little difference in interest that accrued from August 15 on those bonds, amounting to sixty-odd dollars, \$67.50.

Mr. Cook: That is their interest from the time they presented it, not from the time this—

The Witness: (Interposing) A. That is legally true, but the point I had there was, if there had been a coupon on that bond for [59] that short period of time it would have been paid. There being none, we could not pay it.

(Testimony of Charles F. Lambert.)

Mr. Cook: There is one other point, Mr. Lambert: Could you state whether it is true that in the last several years there has been some money in the bond fund? A. Not that I know of.

The Court: He would know if there was any there.

Mr. Cook: Q. Would you state that there has been no money in the bond fund or bond interest fund at all?

A. Well, if there is I don't know of it, I thought I would.

Mr. Freeman: That is the fact, there is a sum of money from that Zumwalt assessment.

The Witness: That isn't in the bond fund.

Mr. Freeman: I think it shows it is in the bond fund.

The Witness: It doesn't belong in the bond fund, if it was.

Mr. Freeman: Well, we will check that up after luncheon. We will find out definitely about that.

Mr. Cook: Have you finished with this witness?

Mr. Freeman: Yes, I have. You may cross examine.

Cross Examination

By W. Coburn Cook, Attorney for the Respondents:

Q. These land sales that were made, I think you said there were about forty-six separate sales, does that dispose of all of that land that is to remain in the District?

A. Yes, all except about five acres, which was overlooked in a description.

(Testimony of Charles F. Lambert.)

Q. What are the relative sizes of those parcels of land?

A. Well, in setting these sales up, we use two yardsticks. First, based upon the control of irrigation of water and drainage so that each farm was a separate unit, having a complete [60] irrigation and drainage system within the exterior boundaries. Second, in rice land, the purchaser was entitled to buy not to exceed twice the number of acres of land, for which we had what we call rice units, for the growing and planting of rice under the system. The average size would be probably around 400 acres running from as high as 1500 acres in one ownership, to 150 acres.

Q. Did any of the officers of the District acquire any of this land? A. No, sir.

Q. Did you have any interest in any of these land transfers? A. Any personal interest?

Q. Yes.

A. I purchased for my daughter and my son, 230 acres of land, which is not rice land, and which was not saleable, because of its roughness.

Q. Are you receiving any interest in any of this land, as the result of this transaction?

A. None whatever.

Q. Did you receive any benefits of any kind from either George McNish or the Provident Land Company, or the group I represented in the correspondence, any compensation, rights, or contracts of land in connection with this transaction?

(Testimony of Charles F. Lambert.)

A. No, sir, none whatever.

Q. The total amount you have received from any source was the cash you will receive from the District of \$20,000.00? A. \$20,300.00.

Q. Is there anyone else besides yourself that is receiving any fees or compensation, other than counsel here? A. Not that I know of.

Q. With reference to this land to be excluded, you are familiar [61] with the transaction, of the Biological Survey, concerning the Spaulding Ranch, that was in this general location?

A. Yes, sir.

Q. Well, is it approximately the same sort of an arrangement that will be made as to the payment as was made in that case, is it any different proposition than that?

A. I would say so. The Spaulding case sale was a stipulated sale. This will be a battle royal, and an open condemnation.

Q. In that case what did they get then, over \$7.00? A. They got about \$13.50.

Q. What is the difference—is it the difference the Government wants it for?

A. The difference is the Government's own policy—to buy as cheaply as they can.

Q. Out of that did the District receive some money, did they? A. \$52,000.00.

Q. And won't that for like reasons result in receiving portions of distribution here?

(Testimony of Charles F. Lambert.)

A. No, because the money won't be available to make the payments in that case—the Government—they paid the county taxes. Here they are condemning. That was a stipulated sale and this is a contested sale. In other words, the community is against the increasing of that refuge, and the irrigation district and reclamation district will not stipulate.

Q. That is because it would cut down the tax revenue?

A. That is because ducks are devastating to the crops in that country.

Q. Going on to another question, this land that these landowners buy inside the District, you say that the Reclamation District, [62] that is No. 2047, they got relatively 35 cents on the dollar for their bonded debt?

A. Well, I am talking of the bondholder.

Q. The bondholder? Now then, those lands remain subject to the burden of the bond issue, isn't that right?

A. The bonds were completely cleared up.

Q. The bonds are legally clear?

A. Yes, sir, that is right, the buyers of the land of the Provident Irrigation District reorganized, buy the title free and clear of all Reclamation No. 2047, save and except about one-half a month's bond debt and floating warrants.

Q. Was that a voluntary settlement with the bondholders?

(Testimony of Charles F. Lambert.)

A. It wasn't done with the bondholders, it was done by auction sale at the court house.

Q. From the Board of Trustees of the Reclamation District? A. That is right.

Q. However, the result to the bond fund is about 35 cents? A. No, not to the bond fund.

Q. To the bondholders?

A. To the bondholders who furnished bonds. They used the bonds in order to clear the land.

Q. What I am trying to get at, that was a voluntary settlement as far as those bondholders were concerned, that they voluntarily furnished bonds?

A. They furnished their bonds at \$42.50, but when you take into consideration the price the District paid, namely 35 cents on the dollar, actually they got 42½ cents on the dollar, but the price they paid for the purchase to the District was at a lower price.

Q. You state that this arrangement on the lands inside and outside [63] of the District was a condition of the contract, but I don't find it in this resolution with the Reconstruction Finance Corporation. Was that a verbal arrangement?

A. No, it is there.

Q. I wasn't attacking that point.

The Witness: I want to clear it up myself. In making and continuing the sales for the Provident Irrigation District, a parcel of land very rough in terrain that had never heretofore been planted to

(Testimony of Charles F. Lambert.)

rice was left without buyers, and was producing crops of star thistle, and going up to willows and about thirty-five acres on that hill had been planted to grain. I purchased that land from the District at the average scheduled price fixed according to the classification, and in purchasing it paid the highest classified price. In other words, I had to, as a matter of fact, in order to make this a completed transaction—I had to practically purchase the land in order to secure the sums of money.

Q. What was the purpose of getting this piece, why did you get it?

A. I purchased it—I thought that—not that I wanted the land. I wanted the land for my daughter and son.

Q. For what?

A. It is good pheasant hunting country.

Q. What would the tax be on that?

A. There would be no tax except the County, the County tax would be 50 cents an acre a year. I figured that I might break even and if I didn't I wouldn't lose much.

Q. This land outside of the District, will there be any other land go to private interests, or will it all go to the Biological Survey?

A. I don't think any will go to the Biological Survey. I don't [64] think the Biological Survey will pay the price of condemnation.

Q. There is no reason why the District can't claim title to that property through agreement with

(Testimony of Charles F. Lambert.)

the County, just as they did with respect to the land inside the District?

A. For this reason, when the land inside of the District—they are back on the assessment roll, they are again listed. If they go buyerless the County wants it or the Reclamation District wants it.

Q. If you don't sell then to the Biological Survey, or sell it privately, there is no reason why the taxes can't be cleared up on the reduced rate?

A. I think that can be done, but I don't think you can sell it for more than pasture value.

Q. What does the District say to the Biological Survey that that land is worth?

A. They don't say.

Q. What is it worth to the District as an asset?

A. Well, now, Mr. Cook, when a District is going to meet condemnation proceedings, it is not making any stipulation as to value.

Q. I am asking for the record here.

The Court: Well, now, let us see. We don't want the District, after struggling for twenty years, to have a record here that might stand against it.

Mr. Cook: I wouldn't think they would understate the value.

The Court: Here, it is worth \$13.00 according to the contract agreement on account of the conditions and everything. If they are condemned that will be the issue there. Let us say, suppose the District got the best price possible. I say that kindly.

(Testimony of Charles F. Lambert.)

Mr. Cook: If your Honor please, my question is not directed to [65] the Biological Survey, or what they may pay. I hope they have to pay the proper price. All I want to ascertain here is if they succeeded in clearing the land debt that the Reclamation District and the county has against it and the District owns the territory, if they got \$10,000.00 or \$50,000.00, that should be taken into consideration, because it will be paid to the Reconstruction Finance Corporation and will reduce this debt and it might affect what my client should get. How much is it worth an acre, or something like that?

A. I maintain and have so stated the Reconstruction Finance Corporation—I have stated specifically, and I state now, that the land has no value considering all of the debts that are on the land, that is the County, and the Reclamation District, and the Irrigation District, and that if the land was sold and pro-rated according to the interest, the debts each has against it, that the land has practically no value to anyone.

Mr. Cook: That may be true. I will put it this way.

The Witness: (Continuing) That land was worth \$5.00 an acre, and has been for thirty-five years. I have lived in that country. That is for pasture purposes. Now, I am not in the position to testify as to what that land is going to be worth, without calling attention to the tax burden of half a million dollars.

(Testimony of Charles F. Lambert.)

Mr. Cook: Q. Let us assume all the taxes are dissolved.

A. You can't do that. You have got to put it back on the assessment rolls, and if you have got a private purchaser, you are going to put it back on No. 2047 with half a million dollars in floating warrants against it. Now, I doubt whether any purchaser would go out and buy that land with that debt floating against it.

Q. I am City Attorney at Turlock, and when we have land like that, [66] we make some kind of a deal, we sell it for so much a lot. How much is the land worth with the taxes off, suppose there was no debt burden against it, how much is the land worth as land?

A. \$5.00 an acre with no tax obligation.

Q. Has it any value for agriculture?

A. It has no agricultural value, that is why we threw it out of the District. It is pasture land.

Q. Is there any oil interests in that country?

A. They are prospecting all over the state. I didn't think about that. They hit some gas about several years ago.

Mr. Cook: That is all.

Redirect Examination

By Mr. Freeman:

Q. Then, finally, Mr. Lambert, the reason you bought that piece of land was to close the transaction?

A. Yes, sir.

Mr. Freeman: That is all.

Mr. Cook: That is all.

(H. E. Vogel was then called as a witness for the debtor.)

Testimony of

H. E. VOGEL,

witness called on behalf of the debtor, Sworn.

Direct Examination

By Mr. Freeman:

Q. Will you state your name?

A. H. E. Vogel.

Q. Where do you live, Mr. Vogel?

A. Fresno.

Q. What is your business and occupation?

A. I have recently been working on irrigation problems—or I have since 1931 been an employe of the California District Securities Commission, and prior to this year, for the prior six years I have been making the investigation for the California [67] District Securities Commission of the districts which were operating under Section 11 of the District Securities Commission Act.

Q. Prior to that time, Mr. Vogel, had you had any experience in agriculture and irrigation?

A. Practically all my life.

Q. And have operated farms, have you?

A. Yes, sir.

(Testimony of H. E. Vogel.)

Q. And been associated with irrigation districts?

A. Yes, sir, directed to the irrigation district questions.

Q. When was your first knowledge gained of the Provident Irrigation District?

A. In the year of 1933, the summer of 1933, I made an investigation of the Provident Irrigation District, along with the other irrigation districts which were overlapped by Reclamation District No. 2047.

Q. For whom were you making that investigation?

A. For the Federal Land Bank.

Q. At that time did you make a report?

A. I did.

Q. Will you tell us what the conditions were that you found in the Provident Irrigation District?

A. The report I made on the Provident Irrigation District was made in regard with other irrigation districts. The Provident report was very short because I was only asked to get sufficient evidence to support my judgment on the recommendations I made to the bank in regard to making loans.

Q. Would you kindly read us that report?

A. (Reading) "The Provident Irrigation District of 20,756 acres was organized in 1918 by P. B. Cross, along with J. P. Carl, [68] president of the Central National Bank of Oakland. These parties were interested in practically all lands of the Dis-

(Testimony of H. E. Vogel.)

trict. The irrigation system was just being completed at that time and the cost of the same was transferred to the lands, through a bond issue, creating an indebtedness of \$1,000,000, or approximately \$48.00 per acre. At the time the petition of organization of the District was presented by the advisory board, there were sixteen signatures of authorization of title, but of these there were only three holders of title, the previous year. Most of the land belonged to Cross and associates, and the balance had been transferred, in order to create a District, and issue bonds; 2,022 additional acres were included, and they asked a bond issue of \$190,000.00, which was authorized and sold. After the inclusion, the total acreage of the District was 22,778 acres, with a bond obligation of \$1,190,000.00, and the bonded debt of the District had increased to \$52.00 per acre. It is doubtful, if proper appraisals were made of the fertility of the soils of this District before the loan was granted by the bankers for construction of the irrigation system, and again at the time the bond issue was floated. Approximately 75 per cent of the acreage is in the trough of the Colusa Basin, and most of the additional 25 per cent is unsuitable for general crops, and there have been no net returns given to the land except in a few years of especially high rice prices. By the year 1921 the people north of P. B. Cross had failed to meet their assessment, and some

(Testimony of H. E. Vogel.)

of the large Oakland banks with whom Cross had dealt, were forced to pay up the delinquencies to protect their lands. By 1922, delinquent bond coupons were also taken up by the Central National Bank of Oakland. Since 1924, delinquent assessments have been increasing at a rapid [69] rate until for the year 1932 and 1933 practically all the lands were delinquent. The highest number of holdings in the District was in 1924, when assessments were levied on thirty-seven ownerships, twenty-eight of which were less than four hundred acres. Since that time the number of assessments has decreased until in 1932, there were only ten ownerships, mostly in the hands of banks. The District has recently taken deed to 8227.54 acres, and 14,472.92 acres more are subject to the District taking title in 1934; there are three resident landowners left in the District, and there are only three holdings that are clear on past assessments at this time; one for thirty-five acres, one for ten acres, and one for twenty acres, a total of sixty-five acres as of January, 1933, the District was in default for a bond principal of \$68,000.00, and for bond interest, \$169,433.00, without mentioning the obligations of the Reclamation District 2047, and assessment No. 6 of the Sacramento-San Joaquin Drainage District, or the County taxes, and it is obvious that any assistance given the landowners of this District would be useless." [70]

(Testimony of H. E. Vogel.)

Q. Now then when did you make your next report, if you did, Mr. Vogel?

A. I made a report for the California District Securities Commission, although I wish to state here I am not noticed as a member of the District Securities Commission.

Q. You stated that when they went under Section 11 that was in 1936?

A. In 1936 I made the first investigation under Section 11. I made the investigation for the Commission in 1937, '38 and '39, the four years.

Q. Then you have familiarized yourself not only with the records of the District but with the lands themselves?

A. I always in my investigations went over the land of any district.

Q. You have gone over them with the idea of ascertaining the condition of the District, as to its irrigation structures and so forth?

A. Yes, and their productivity, in order to make an appraisal of the ability of the District to pay its assessments.

Q. Are you familiar with this reorganization and refinancing plan? A. Somewhat.

Q. As to the ability of the land to pay, in your opinion could this land pay on any greater valuation than has been placed on it, with this \$14.50 bond issue against the land?

A. All we can go on is the past experience and estimate the future. I don't believe that the District

(Testimony of H. E. Vogel.)

could stand, in the way of all its obligations, any greater load. One principal reason is that the District is not adapted for general crops, in other words the range of crops that can be grown within the [71] district is very limited. This land is very shallow, most of it clay soil, and water will not penetrate into the soil. It is unsuited even for grain, because it is either too wet or too dry, most of the time to grow crops, and the grain would either be drowned out or else it doesn't produce it for the lack of moisture.

The Court: In the last ten years what have they done in relation to putting in this machinery, so that they can produce a rice crop much cheaper than they could ten years ago? What has happened?

A. One thing, they mostly sow the seed with an aeroplane now.

The Court: Is that practical?

A. Yes, it has proved practical, they have continued to do it.

The Court: What other thing has happened?

A. They till the soil a little differently.

The Court: What do you mean by that?

A. They used to dry irrigate the land and plow it, but now they use disc plows a great deal which will turn all the vegetation in, and they have less trouble with fighting weeds on the levees than they used to. They are farming with machinery of greater capacity. In rice lands where they used to,

(Testimony of H. E. Vogel.)

a great many of them, farm with teams, it is very hard to work this type of soil.

The Court: I don't recall seeing anyone farming with a team.

The Witness: Well maybe not in the last ten years but they used to.

Mr. Freeman: Mr. Vogel, was there any other way for this District to rehabilitate itself other than the method followed in this case of reorganizing and getting a bond issue?

A. Well, I couldn't say as to that, but it would have to be [72] along these lines, on account of the various number of overlapping liens within this area.

Q. Now would you say that the plan is or is not fair and equitable and for the best interest of the creditors?

A. I believe it is for the best interest of the creditors because it looked very hopeless for a long time for the creditors to get anything out of their bonds. At least, in passing judgment on it, I thought it was fair and equitable. I thought it was about the most they could realize from their investment.

Mr. Freeman: That is all.

Cross-Examination

By Mr. Cook:

Q. Mr. Vogel, when your Commission meets to pass upon the feasibility of a plan, you don't have any—There is no public hearing or anything like

(Testimony of H. E. Vogel.)

that, you don't give notice to the bondholders, your group meets and decides that itself, is that right?

A. There is no hearing held, unless somebody appears. It has been done.

Q. Do you actually have a hearing or do you actually have a consultation, where you are all present when you signed this report, or is that sent around and signed, sent around to the different members of the Commission?

A. No, there is always a consultation or a meeting.

Q. Mr. Dowd and Mr. Hyatt.

A. Yes, I can't remember just how many commissioners there were at the meeting when this was considered. The authorization shows who was at the meeting.

Q. When that decision is reached, the law requires you to [73] determine, before you can approve a bond issue, that the bond issue does not exceed 60 per cent of the value of what, you might call corporate assets, and of the bare lands in the District, that is correct, is it not?

A. Of the lands, water rights, and the irrigation system already constructed or to be constructed.

Q. That is for the reason that these bonds that will be issued, just like the former bonds, are proper investments for savings banks and other accounts of that character, that is the reason for that, is it not?

(Testimony of H. E. Vogel.)

A. Not particularly. It is stated in the law and it follows the law.

Q. Was it your judgment that these lands and the assets as to these lands, that these bonds did not exceed 60 per cent of the value?

A. Of those assets as I stated, yes.

Q. You said a moment ago, you thought this plan was fair to the creditors. Now if the amount of money borrowed from the Reconstruction Finance Corporation does not exceed 60 per cent of the value of the land and of these assets why is it fair? Why is it not unfair because they don't get 100 per cent of the value?

A. For the same reason, I would say, you cannot borrow from the banks 100 per cent on a piece of property. Along the same line. You do not rehabilitate this land on the basis of selling out all of the assets of the land, and those attached to the land for 100 cents on the dollar. You couldn't get anybody to take it, you couldn't get the bondholders.

Q. Well, didn't the bondholders try to get it for a long time and gave up that battle.

A. I don't know that the bondholders tried to get all of this [74] land. I talked to the one who was managing the bondholders' committee once.

Mr. Freeman: I think, if the Court please, I will object to this to save time. I think it is immaterial.

Mr. Cook: You didn't object to the question. He

(Testimony of H. E. Vogel.)

is giving his answer. We are now trying to find out specifically why they did or did not. The ultimate fact is they did not. I have direct information on that.

The Court: You may answer if you wish.

The Witness: At one time I talked to the one who was managing the bondholders' committee and I said, "Why don't you come to the conclusion to settle this matter and take the lands from the District in payment of these bonds and get the land—get the bonded indebtedness of the land and rehabilitate these lands?" He said, "No," he says, "we wouldn't take those lands. They would go back on the tax rolls. We don't want them on that liability."

Q. It is a fact then, is it not, that these lands, when held by the District, are not subject to county taxes, that is the point there?

A. They are not subject to taxes.

Q. Why couldn't the District get more from the lands by an active campaign to rent the lands out free of county taxes?

Mr. Freeman: By renting that land we have up in that district?

Mr. Cook: Yes.

Mr. Freeman: You wouldn't want to send your relations up there.

Mr. Cook: I wouldn't buy any land for my daughter there. There seems to be forty-six people

that wanted the land. I am [75] just suggesting that if the county tax and this other tax is quite a burden that the District can lease the land to these families that are there without the necessity of their paying any taxes at all. That is all for the witness.

Mr. Freeman: That is all. (Handing a book to Mr. Cook): Will you stipulate this is the minute book in order to save time? What I would like to do, if the Court please, is introduce in evidence the entire minute book, and some of these resolutions we have referred to are in there.

Mr. Cook: I will object to such a large record going in, but if there is anything that Counsel wants in there, I won't object to it.

Mr. Freeman: The amendment to the Act provides that the Court must examine any records and documents and so forth to determine for itself whether or not any fiscal agent, attorney or anybody, is getting any pay from any bondholders. That is the purpose of it. Mr. Lambert testified there has been no such a thing paid to him, and I am prepared to testify that nothing was paid to me.

Mr. Cook: You are prepared to testify to what?

Mr. Freeman: I am prepared to testify no bondholder has paid me anything. I would like to offer in evidence, if the Court please, the minutes of

the meeting of Saturday, September 3, 1940, and submit a certified copy of it.

Mr. Cook: That is agreeable to me.

(The document was marked Debtor's Exhibit 5.)

PETITIONER'S EXHIBIT NO. 5

RFC Form DR-23

Meeting of Tuesday, January 2, 1940.

RESOLUTION ACCEPTING R. F. C. LOAN

Certified Copy of Resolution

Adopted by Board of Directors

Of Provident Irrigation District

P. O. Address Willows, California

Whereas, Provident Irrigation District (hereinafter referred to as the "Borrower") has heretofore filed an application with Reconstruction Finance Corporation asking that a loan be made to or for the benefit of the Borrower pursuant to the provisions of Section 36, Part 4, of the Emergency Farm Mortgage Act of 1933, as amended; and

Whereas, on December 20th, 1939, Reconstruction Finance Corporation authorized a loan of not exceeding \$193,500.00 subject to the terms and conditions set forth in a resolution adopted by Reconstruction Finance Corporation on that date, (herein called "Authorizing Resolution") and

Whereas, this Board, the governing authority of the Borrower, has received and examined a certified copy of the Authorizing Resolution and finds that

it will be to the best interests of the Borrower that the loan and the benefits thereof be accepted and consummated in accordance with the terms and conditions set forth therein, and for that purpose has adopted this resolution (herein called "Resolution of Acceptance"),

Now, Therefore, Be It

Resolved, that the Borrower hereby confirms, ratifies and approves the action of its officers in making such application and all statements of fact therein contained and all other facts and representations of fact offered or made by its officers and representatives to Reconstruction Finance Corporation in, and in support of, such application.

Further Resolved, that the Authorizing Resolution and this Resolution of Acceptance shall constitute an agreement by and between the Reconstruction Finance Corporation and the Borrower, whereby the Borrower and this, its governing authority, (1) accept the loan and the benefits thereof and assent and agree that such loan may be made and consummated in accordance with the terms and conditions of the Authorizing Resolution; (2) also agree to promptly and in good faith enter into such other and further agreements and to adopt such other and further resolutions for that purpose, as are required or contemplated by the Authorizing Resolution, and (3) also agree to promptly and faithfully do and perform all things on their part to be done and performed under and

pursuant to and carry out the provisions of the Authorizing Resolution, and likewise the terms, conditions and provisions of any agreement or resolution entered into or adopted pursuant to or as contemplated by the provisions of the Authorizing Resolution.

Further Resolved, that the officers of the Borrower be and they are hereby authorized and directed to do all acts and things necessary, proper or appropriate to comply with and carry out the terms and conditions of this Resolution of Acceptance and of the Authorizing Resolution, and the Secretary of the Borrower is directed to duly certify and forward a copy of this resolution to the Chief of the Drainage, Levee and Irrigation Division of Reconstruction Finance Corporation.

The undersigned, being duly elected Secretary of the Borrower hereby certified that the foregoing is a true and correct copy of a resolution adopted by its Board of Directors at a meeting thereof duly and lawfully held on the 2nd day of January, 1940.

[Official Seal]

BLANCHE COVERT,

Secretary.

[Endorsed]: Filed Nov. 18, 1940.

Mr. Freeman: That is the authorization directing the filing of this petition, that is the one that

wasn't in before. Then I offer in evidence this one, I just hand you, of February the third authorizing the filing of this petition. [76]

(Thereafter that authorization was marked Debtor's Exhibit No. 6.)

PETITIONER'S EXHIBIT NO. 6

RESOLUTION OF THE BOARD OF DIRECTORS OF PROVIDENT IRRIGATION DISTRICT AUTHORIZING PROCEEDINGS IN THE DISTRICT COURT OF THE UNITED STATES FOR THE CONFIRMATION OF ITS PLAN OF COMPOSITION OF ITS OUTSTANDING INDEBTEDNESS

Adopted February 3, 1940

Whereas, this Board of Directors has by resolution duly proposed and adopted a plan of composition of its outstanding indebtedness consisting of outstanding bonds in the principal amount of \$957,000.00, and all interest coupons appertaining thereto which are now outstanding and unpaid, and

Whereas, said plan has not been accepted by the holders of all said outstanding bonds and interest coupons and in order to make said plan of composition binding upon such holders of outstanding bonds and interest coupons of said Provident Irrigation District as shall not have voluntarily accepted the same, it will be necessary to commence and prosecute a proceeding in the District Court

of the United States for the Northern District of California, for the confirmation of said plan,

Now, Therefore, Be It Resolved by this Board of Directors of Provident Irrigation District that George R. Freeman and Elmer Laine as attorneys for said District, be, and they are hereby, authorized and directed to file in the District Court of the United States for the Northern District of California, a petition, as provided in Chapter IX of the National Bankruptcy Act, for the confirmation of said plan for the composition of its debts and that the President and Secretary of this Board of Directors, or either of them, be, and hereby are, authorized and directed to sign and verify said petition in the name of, and on behalf of said District, and to execute in the name of said District such instruments or documents as may be necessary or proper to obtain the confirmation of said plan.

Be It Further Resolved that said attorneys and officers be and they are hereby authorized to take such other and further action and proceedings on behalf of this District as may be necessary to obtain the confirmation of said plan.

Be It Further Resolved that the President and Secretary of this Board of Directors be and they are hereby authorized and directed to make application in writing to the California Districts Securities Commission for approval of the plan of composition heretofore adopted by this Board of Directors and for its consent to the filing of a pe-

tition in the District Court of the United States for the Northern District of California for the confirmation of said plan of composition.

I, Blanche Covert, Secretary of Provident Irrigation District, hereby certify that the foregoing is a true and correct copy of a resolution adopted by the Board of Directors of Provident Irrigation District at a special meeting held February 3, 1940, at which all directors were present; that said resolution has not been rescinded or modified and is still in full force and effect.

[Seal]

BLANCHE COVERT

Secretary

[Endorsed]: Filed Nov. 18, 1940.

Mr. Freeman: I offer in evidence then the minutes of the meeting of Saturday, February 10, 1940. That is the one held for the refunding of the bonds. We will furnish a copy to Mr. Cook of that.

Mr. Freeman: Now we offer in evidence the minutes of the meeting of March 18, 1940, which covers the matter of the votes of the resolution.

Mr. Cook: What was the vote?

Mr. Freeman: I think it was 18 to nothing. We will furnish you with certified copies of these exhibits.

(Thereafter the exhibits were marked Exhibit 7 and 8 respectively for Debtor.) [77]

PETITIONER'S EXHIBIT NO. 7

Whereas, Provident Irrigation District has heretofore authorized an issue of its bonds designated First Issue, in the aggregate principal amount of \$1,000,000, consisting of 1000 bonds of the denomination of \$1,000 each, all dated August 15, 1918, bearing interest at the rate of six (6) per cent. per annum, payable semi-annually on the 1st day of January and July of each year, maturing serially on August 15th in each of the years 1930 to 1949, both inclusive, of which issue \$946,000 principal amount of bonds is now issued and outstanding; and

Whereas, said District has heretofore authorized an issue of its bonds designated Second Issue, in the aggregate principal amount of \$190,000, consisting of 190 bonds of the denomination of \$1,000 each, all dated August 9, 1921, bearing interest at the rate of six (6) per cent. per annum, payable semi-annually on the 1st days of January and July of each year, maturing serially on July 1st in each of the years 1922 to 1933, both inclusive, of which issue \$11,000 principal amount of bonds is now issued and outstanding; and

Whereas, said Provident Irrigation District (hereinafter designated as the "District") heretofore duly filed with the Reconstruction Finance Corporation (hereinafter designated as the "Corporation") its application (Docket No. Ref. 812) for a loan for the purpose of reducing and refinanc-

ing outstanding indebtedness of said District under the provisions of the Emergency Farm Mortgage Act of 1933, as amended; and

Whereas, on the 20th day of December, 1939, said Corporation authorized a loan to or for the benefit of said District of not exceeding \$193,500, subject to the terms and conditions set forth in the Resolution adopted by said Corporation granting said loan and any resolution amendatory thereof, and also of any contract or agreement entered into between the District and the Corporation supplementary thereto (hereinafter called the "Authorizing Resolution"); and

Whereas, on the 2nd day of January, 1940, the Board of Directors of said District, by resolution, duly accepted said loan and agreed with said Reconstruction Finance Corporation to comply with, fulfil and carry out all the provisions, terms, conditions and requirements set forth in said Authorizing Resolution to be by said District carried out and fulfilled; and

Whereas, the Board of Directors of said Provident Irrigation District on the 20th day of January, 1940, by resolution adopted a plan for the refunding of the bonds of the District and reducing and refinancing outstanding indebtedness of said District in compliance with the requirements of said Authorizing Resolution, and thereafter, as provided by law, filed with and submitted to the California Districts Securities Commission its proposed plan

for such refunding of its said bonds and reducing and refinancing of outstanding indebtedness of said District and request for the approval of said Commission to the said plan and for the incurring of such indebtedness, and the issuance of warrants therefor, necessary for the purpose of paying the costs and expenses incident to such plan or in connection with such refunding; and

Whereas, after due consideration of the said plan, said Commission, on the 23rd day of January, 1940, made and entered its Order No. 10 approving the said plan as theretofore adopted by this Board of Directors, which Order was in the words and figures following, to wit:

“State of California
California Districts Securities Commission
620 State Building, San Francisco
Order No. 10
Feasibility of Voting Refunding Bonds
Report

To the Board of Directors
of Provident Irrigation District:

Whereas the Board of Directors of Provident Irrigation District has, by resolution dated January 20, 1940, requested the California Districts Securities Commission (constituted by Chapter 1073, Statutes of 1931) to make an investigation and report upon the matters contemplated by Sections 32a, 32b, 32c, 32d and

32e of the California Irrigation District Act, as amended; and

Whereas said Commission and its predecessor, the California Bond Certification Commission, have heretofore made investigations and reports upon the affairs of said Provident Irrigation District, by which reports the bonds of the First and Second Issues of said district in the aggregate principal amount of \$1,190,000 are entitled to certification by the State Controller as available for the purposes defined in the acts of creation of both the said California Bond Certification Commission and the said California Districts Securities Commission; and

Whereas the Board of Directors of Provident Irrigation District deems it advisable to refund the outstanding bonds of its First and Second Issues in the aggregate principal amount of \$957,000 through a loan of not to exceed \$193,500 from the Reconstruction Finance Corporation of the United States in accordance with the terms of a resolution of said Corporation adopted December 20, 1939; and

Whereas said Board of Directors by resolution dated January 2, 1940 has duly accepted said loan and agreed to all the terms and conditions of said Corporation's resolution dated December 20, 1939; and

Whereas said California Districts Securities Commission has examined said resolution of

said Reconstruction Finance Corporation and other data submitted concerning the aforementioned plan of refunding the outstanding bonds of the said First and Second Issues in the aggregate principal amount of \$957,000; and

Whereas said California Districts Securities Commission has found and determined that the amount of the refunding bonds to be issued together with all other outstanding bonds of the district, including bonds authorized but not sold, does not exceed sixty (60) per centum of the aggregate value of the water, water rights, canals, reservoirs, reservoir sites, irrigation works and other property owned by the district and the reasonable value of the lands within the boundaries of the district and that said project is economically sound and feasible;

Now, Therefore, We, the undersigned members of the California Districts Securities Commission, do hereby make the following report to the Board of Directors of Provident Irrigation District authorizing said Board of Directors to proceed with said refunding plan:

(1) That the amount of the loan necessary to refund the outstanding bonds of Provident Irrigation District should not exceed \$193,500.

(2) That Provident Irrigation District proceed with a special election for the purpose of authorizing the issuance of refunding bonds in the principal amount of \$193,500, bearing interest at the rate of four (4)

per cent per annum, payable semi-annually, no part of the principal of said refunding bonds being payable during the first three (3) years after the date thereof, and maturing thereafter in annual installments over a period of thirty (30) years in such amounts as may be satisfactory to the Division Chief of the Division of Drainage, Levee and Irrigation of the said Reconstruction Finance Corporation and approved by the said California Districts Securities Commission.

(3) That said Provident Irrigation District is hereby authorized to enter into an agreement with said Reconstruction Finance Corporation, which, so long as any of said refunding bonds or any of the old securities pledged with or acquired by said Corporation remain outstanding, shall bind said District to duly and fully comply with and carry out all of the terms and conditions of said resolution of said Reconstruction Finance Corporation, and this Commission approves and agrees to the amounts of assessments and the setting up of a reserve fund as provided by said resolution of Reconstruction Finance Corporation and further agrees that the amounts of such assessments will not by any action of the said Commission be reduced below the amounts required by said resolution of said Corporation.

(4) That said refunding bonds be issued to repay the said Reconstruction Finance

Corporation in amounts equal to the loans advanced by said Corporation for payment of the present outstanding indebtedness of said district, in accordance with Sections 32a, 32b, 32c, 32d and 32e of the California Irrigation District Act and with Section 11 of the Act entitled "An act to authorize irrigation districts to cooperate and contract with the United States under the provisions of the Federal reclamation laws or any other law of the United States for a water supply, or the construction, operation or maintenance of works, including drainage works or works for the development and distribution of electrical energy, or for the assumption by the district of indebtedness to the United States on account of district lands; and to provide the manner and method of payments to the United States under such contract, and for the apportionment of assessments, and the levy thereof, upon the lands in the district to secure revenue for such payments, and to provide for the judicial review and determination of the validity of the proceedings in connection with such contract, and to provide for construction of works by the district; to declare that certain county water districts shall be deemed irrigation districts for the purpose of assessment of public lands of the United States; to provide for the borrowing or procuring of money from the United States or any agency thereof and the enter-

ing into contracts, and/or the issuance of bonds, warrants or other evidence of indebtedness for the repayment thereof, and validating such contracts heretofore made', approved May 5, 1917, Statutes of 1917, page 243, as amended.

(5) That the board of directors of Provident Irrigation District is hereby authorized to make expenditures to defray the cost of refunding said outstanding bonds in accordance with the proposed plan, such expenditures being estimated as follows:

Issuance of bonds:

| | |
|---|-----------|
| Cost of holding election..... | \$ 150.00 |
| Printing of bonds..... | 200.00 |
| Bond Counsel | 387.00 |
| California Districts Securities Commission | 35.00 |

Bankruptcy proceedings:

| | |
|-----------------------------|----------|
| Filing fees | 100.00 |
| Publication of notices..... | 100.00 |
| Incidental expenses | 50.00 |
| Referee's fee | 250.00 |
| Attorney's fee | 1,000.00 |

Total\$2,272.00

CALIFORNIA DISTRICTS
SECURITIES COMMISSION,
(Signed) EARL WARREN
E. W. WILSON
EDWARD HYATT
H. E. VOGEL

Attest:

(Signed) HARMON S. BONTE

Executive Secretary

Dated:

San Francisco, California,

January 23, 1940.”

And Whereas, this Board now desires to call a special election for the purpose of authorizing and making and entering into of a contract with the Reconstruction Finance Corporation, and the issuance of such refunding bonds in the principal amount of \$193,500, as provided by law and the said Authorizing Resolution,

Now, Therefore, Be It Determined and Declared by the Board of Directors of Provident Irrigation District, at a special meeting thereof, duly called, convened and held, at which meeting three members of said Board are present and acting, and this Board hereby finds, that each and all of the matters hereinbefore recited are true, and said Board does hereby accept, approve and adopt said report and order of said Commission; and

Be It Further Resolved and Ordered by this Board of Directors as follows to wit:

Section 1. That the said plan for the refunding of said bonds of the Provident Irrigation District and reducing and refinancing outstanding indebtedness of said District is hereby found to be feasible and satisfactory, and in order to carry out the same it is necessary that said District be authorized to enter into and execute a contract with the

Reconstruction Finance Corporation and to authorize the issuance of and to issue refunding bonds of said District in the principal amount of \$193,500, under and pursuant to and in accordance with the said Authorizing Resolution, and this Board of Directors hereby expressly determines that it is necessary to execute such contract and to issue refunding bonds in the said principal sum of \$193,500.

Section 2. That a special election be, and it is hereby called to be held in Provident Irrigation District on Friday, the 15th day of March, 1940, at which election there shall be submitted to the electors of the Provident Irrigation District, possessing the qualifications prescribed by the California Irrigation District Act, the question of whether or not said District shall enter into and execute a contract with the Reconstruction Finance Corporation, an agency of the United States of America, providing for the issuance of refunding bonds in the principal amount of \$193,500, for the purpose of reducing and refinancing outstanding indebtedness of said District in accordance with, and as provided for by said Authorizing Resolution, and the said refunding plan duly adopted by the District and approved by the California Districts Securities Commission by its Order No. 10, dated January 23, 1940; such contract to provide for the setting up of an adequate reserve for delinquencies of tax payments and to contain other appropriate provisions for effecting such reduction and refinancing of all or a part of the indebtedness of the District,

and that there shall also be submitted at said election the question of the issuance of such bonds.

Section 3. That for the purpose of holding said special election and for the conduct thereof, said Provident Irrigation District shall be and constitute one election precinct as heretofore ordered by the Board of Directors, the boundaries of which election precinct shall be coterminous with the boundaries of said District, and the polling place in such precinct and the house or place within such precinct and District where the election must be held, and the inspector, judge and clerk appointed for such precinct and District from the electors thereof, and who shall and do constitute the Board of Election for such precinct and District, shall be as follows, to wit:

Inspector: Jack Holman

Judge: Albert Wood

Clerk: Reba Holman

Polling Place: Residence of A. E. Moutrey, located on Lot 8 of Sacramento Valley Colony No. 4, as per map and plat of said Sacramento Valley Colony No. 4 on file in the office of the County Recorder of Glenn County, California.

Section 4: That at said special election the said polls shall be open at eight o'clock A. M. on the morning of said day, and shall be kept open until four o'clock P. M. of the said day when the same

shall be closed, and during said hours said election shall be held at the legally designated polling place in said District and election precinct, as aforesaid, and that said election shall be held and the results thereof determined and declared in conformity with the provisions of the California Irrigation District Act and an Act of the Legislature of the State of California designated as:

“And act to authorize irrigation districts to cooperate and contract with the United States under the provisions of the Federal reclamation laws or any other law of the United States for a water supply, or the construction, operation, or maintenance of works, including drainage works or works for the development and distribution of electrical energy, or for the assumption by the district of indebtedness to the United States on account of district lands; and to provide the manner and method of payments to the United States under such contract, and for the apportionment of assessments, and the levy thereof, upon the lands in the district to secure revenue for such payments, and to provide for the judicial review and determination of the validity of the proceedings in connection with such contract, and to provide for construction of works by the district; to declare that certain county water districts shall be deemed irrigation districts for the purpose of assessment of public lands of the United States; to provide for the borrowing or procuring of

money from the United States or any agency thereof and the entering into contracts, and/or issuance of bonds, warrants or other evidence of indebtedness for the repayment thereof, and validating such contracts heretofore made.” (Stats. 1917, page, 243, as amended)

Section 5. That notice of such election be given by posting notices thereof in three (3) public places in said election precinct and District, at least twenty (20) days prior to the date of said election, and also by publication of such Notice in “The Willows Journal” (being a newspaper of general circulation printed and published in the County where the office of the Board of Directors of said District is required to be kept, to wit, Glenn County) once a week for at least three (3) successive weeks prior to the date of said election, and also by posting a copy of the same in the office of the Board of Directors of said District, in Willows, California, which notices so to be posted and published shall be substantially in the following form, to wit:

Notice of special election in Provident Irrigation District to determine whether or not said district shall enter into and execute a contract with the Reconstruction Finance Corporation and issue refunding bonds in the principal amount of \$193,500 for the purpose of reducing and refinancing outstanding indebtedness of said District.

Notice is hereby given that pursuant to an order of the Board of Directors of Provident

Irrigation District duly made and entered in the minutes of said Board of Directors on the 20th day of January, 1940, approving and adopting a plan therein set forth, for the entering into and execution of a contract with the Reconstruction Finance Corporation, the creation of a reserve fund, and the issuance of refunding bonds in the principal amount of \$193,500 for the purpose of reducing and refinancing outstanding indebtedness of said District, and which said plan was duly submitted to and filed with the California Districts Securities Commission and thereafter and on the 23rd day of January, 1940, by its Order No. 10 duly approved by said Commission, and pursuant to a resolution and order of said Board duly made and entered in the records of said Board on the 10th day of February, 1940, at a meeting of said Board duly convened and held at the office of said Board, a Special Election has been called and the same will be held on Friday, the 15th day of March, 1940, within said District, said District constituting one election precinct (the boundaries of which election precinct are coterminous with the boundaries of said District) at the polling place hereinafter specified. That at said election the question to be submitted to and voted upon by the electors of said District possessing the qualifications prescribed by the California Irrigation District Act, shall be as follows:

Proposition: Shall the Provident Irrigation District enter into and execute a contract with the Reconstruction Finance Corporation, an agency of the United States of America, providing for the issuance of refunding bonds and complying with the requirements of said corporation, including among other things provisions for the levy and collection within this District of assessments that will be sufficient in amount to pay such bonds together with interest thereon when the same fall due and also to create a reserve fund; and shall said District issue refunding bonds in the principal amount of \$193,500 for the purpose of reducing and refinancing outstanding indebtedness of said District, under and pursuant to and in accordance with the resolution adopted by the Reconstruction Finance Corporation dated December 20, 1939, and accepted by the Board of Directors of said District on January 2, 1940, and pursuant to the refunding plan adopted by the Board of Directors of said District on January 20, 1940, and Order No. 10 of the California Districts Securities Commission dated January 23, 1940 approving and authorizing such refunding?

That the polls of said election on said day will be open from eight (8) o'clock A. M. on the morning of said day to four (4) o'clock P. M. in the evening thereof.

That the said District will constitute one election precinct (the boundaries of which election precinct are coterminous with the boundaries of said District) and the polling place and Board of Election to serve for the conduct of said special election, consisting of one inspector, one judge and one clerk, are as follows:

Inspector: Jack Holman

Judge: Albert Wood

Clerk: Reba Holman

Polling Place: Residence of A. E. Moutrey, located on Lot 8 of Sacramento Valley Colony No. 4, as per map and plat of said Sacramento Valley Colony No. 4 on file in the office of the County Recorder of Glenn County, California.

Dated at Willows, Glenn County, California, this 10th day of February, 1940.

By order of the Board of Directors of Provident Irrigation District.

BLANCHE COVERT

Secretary of the Board of
Directors of Provident
Irrigation District.

Section 6. That at such special election the ballots thereat shall be substantially in the following form:

No.....

(This number is to be torn off by Inspector).

No.....

Mark crosses (X) on ballot only with rubber stamp; never with pen or pencil.

(Fold ballot to this perforated line, leaving top margin exposed)

OFFICIAL BALLOT**SPECIAL ELECTION**

Provident Irrigation District

Friday, March 15, 1940

Instructions to Voters: To vote for a proposition, stamp a cross (X) in the voting space after the words "Contract and Bonds—YES" following the proposition. To vote against a proposition stamp a cross (X) in the voting space after the words "Contract and Bonds—NO" following the proposition. All marks except the cross (X) are forbidden. All distinguishing marks or erasures are forbidden and make a ballot void. If you wrongly stamp, tear or deface this ballot, return it to the Inspector of Election and obtain another.

Proposition: Shall the Provident Irrigation District enter into and execute a contract with the Reconstruction Finance Corporation, an agency of the United States of America, providing for the issuance of refunding bonds and complying with the requirements of said Corporation, including among other things provisions for the levy and collection within this District of assessments that will be sufficient in amount to pay such bonds together with interest thereon when the same fall due and also to create a reserve fund; and shall said District issue refunding bonds in the principal amount of \$193,500 for the purpose of reducing and refinancing out-

standing indebtedness of said District, under and pursuant to and in accordance with the resolution adopted by the Reconstruction Finance Corporation dated December 20, 1939, and accepted by the Board of Directors of said District on January 2, 1940, and pursuant to the refunding plan adopted by the Board of Directors of said District on January 20, 1940, and Order No. 10 of the California Districts Securities Commission dated January 23, 1940 approving and authorizing such refunding?

Contract and bonds Yes ()

Contract and Bonds No ()

Section 7. That the Secretary of the Board of Directors of said Provident Irrigation District be, and she is hereby, authorized and directed to cause such notice to be given of such election by publication and posting as is required by the California Irrigation District Act.

I, Blanche Covert, Secretary of the Board of Directors of Provident Irrigation District, do hereby certify that the foregoing is a full, true and correct copy of a resolution duly adopted at a special meeting of the Board of Directors of said District duly and regularly held at the regular meeting place thereof on the 10th day of February, 1940. of which meeting all of the Directors of said District had due notice and at which a majority thereof was present; that at said meeting said resolution was introduced by Director Fox and read in full and was thereupon, upon motion of Director Hansen seconded by Director Calvert, adopted by the following vote:

Ayes: Fox, Calvert, Hansen

Noes: None

Absent: None

That I have carefully compared the same with the original minutes of said meeting on file and of record in my office and that said resolution is duly entered of record in Minute Book 2, at pages 788 to 798, inclusive, and said resolution is a full, true and correct copy of the original resolution adopted at said meeting and entered in said minutes. That said resolution has not been amended, modified or rescinded since the date of its adoption and the same is now in full force and effect.

In witness whereof, I have hereunto set my hand and affixed the official seal of said District this 25th day of November, 1940.

[Seal] **BLANCHE COVERT**

Secretary of the Board of Directors of Provident Irrigation District

[Endorsed]: Filed Nov. 28, 1940.

PETITIONER'S EXHIBIT No. 8

Whereas, the Board of Directors of Provident Irrigation District, by order and resolution duly adopted by said Board at a meeting thereof duly called and held at its office on the 10th day of February, 1940, duly called and ordered held in said District a special election on the 15th day of March,

1940, for the purpose of submitting to the qualified electors thereof the following proposition, to wit:

Proposition: Shall the Provident Irrigation District enter into and execute a contract with the Reconstruction Finance Corporation, an agency of the United States of America, providing for the issuance of refunding bonds and complying with the requirements of said Corporation, including among other things provisions for the levy and collection within this District of assessments that will be sufficient in amount to pay such bonds together with interest thereon when the same fall due and also to create a reserve fund; and shall said District issue refunding bonds in the principal amount of \$193,500 for the purpose of reducing and refinancing outstanding indebtedness of said District, under and pursuant to and in accordance with the resolution adopted by the Reconstruction Finance Corporation dated December 20, 1939, and accepted by the Board of Directors of said District on January 2, 1940, and pursuant to refunding plan adopted by the Board of Directors of said District on January 20, 1940 and Order No. 10 of the California Districts Securities Commission dated January 23, 1940 approving and authorizing such refunding.

and

Whereas, notice of said election containing all matters required by law and the California Irriga-

tion District Act was duly posted and published in the manner and for the time required by law and by said Order and resolution of said Board calling said special bond election, as appears from the affidavits on file in the office of the Secretary of said Board of Directors; and

Whereas, it appears that said special election was duly held in accordance with law and with said resolution and order of said Board on said 15th day of March, 1940, and the polls for said election were kept open during the time required and specified by law and the said order of said Board of Directors, and the ballots used at said election were in the form prescribed by said order and said the California Irrigation District Act, and said election was called, held and conducted and the votes thereat received and canvassed and the returns thereof ascertained, determined and declared all as required by and in accordance with the laws of the State of California, the California Irrigation District Act, and said resolution and order of said Board of Directors; and

Whereas, on this day to wit, Monday, the 18th day of March, 1940 (Being the first Monday after said election), the returns of said election from said District having been returned, said Board of Directors of the Provident Irrigation District has met at its usual place of meeting and has publicly canvassed the returns of said special election in said District;

Now, therefore, it is hereby determined and declared by said Board of Directors of said Provident

Irrigation District, and said Board hereby finds, that each and all of the matters herein in the preambles hereto recited, found or resolved are true.

And said Board of Directors of Provident Irrigation District does hereby find, resolve, determine and declare as follows:

Section 1. That at said special election held in said Provident Irrigation District on the 15th day of March, 1940, the ballots used thereat contained and had printed on them a general statement of the proposition to be voted on, including the amount of bonds proposed to be issued for said purposes, and as therein set forth, and were in the form and contained all matters and things required and prescribed by law and the California Irrigation District Act, and that the proposition submitted to the electors of said District at said special election was:

Proposition: Shall the Provident Irrigation District enter into and execute a contract with the Reconstruction Finance Corporation, an agency of the United States of America, providing for the issuance of refunding bonds and complying with the requirements of said Corporation, including among other things provisions for the levy and collection within this District of assessments that will be sufficient in amount to pay such bonds together with interest thereon when the same fall due and also to create a reserve fund; and shall said District issue refunding bonds in the principal amount of \$193,500 for the purpose of reducing and re-

financing outstanding indebtedness of said District, under and pursuant to and in accordance with the resolution adopted by the Reconstruction Finance Corporation dated December 20, 1939, and accepted by the Board of Directors of said District on January 2, 1940, and pursuant to the refunding plan adopted by the Board of Directors of said District on January 20, 1940 and Order No. 10 of the California Districts Securities Commission dated January 23, 1940 approving and authorizing such refunding,

Section 2. That by the order and resolution of said Board of Directors of said Provident Irrigation District, and for the purpose of holding said special election and for the conduct thereof, said District was duly determined and declared to constitute one election precinct (the boundaries of which should be coterminous with the boundaries of said District).

Section 3. That the whole number of votes cast in said District (said District constituting one precinct) at said special election was eighteen (18).

Section 4. That the total number of votes cast at said special election for "Contract and Bonds—Yes," that is to say, in favor of said proposition, was eighteen (18).

Section 5. That the total number of votes cast at said special election for "Contract and Bonds—No," that is to say, against the said proposition, was none.

Section 6. That more than a majority of the votes cast at said special election for and against said proposition were for "Contract and Bonds—yes," that is to say, that more than a majority of all the votes cast at said special election were in favor of said proposition, and said proposition was and is hereby declared carried.

Section 7. That said special election has been duly and regularly called, held and canvassed under the provisions of and in full compliance with all the requirements of the California Irrigation District Act and the laws of the State of California.

And the Secretary of the Board of Directors is hereby authorized and directed to enter in the records of this Board of Directors a statement of the said results of said special bond election as aforesaid.

I, Blanche Covert, Secretary of the Board of Directors of Provident Irrigation District, do hereby certify that the foregoing is a full, true and correct copy of a resolution duly adopted at a special meeting of the Board of Directors of said District duly and regularly held at the regular meeting place thereof on the 18th day of March, 1940, of which meeting all of the Directors of said District had due notice and at which a majority thereof was present; that at said meeting said resolution was introduced by Director Hansen and read in full and was thereupon, upon motion of Director Hansen, seconded by Director Calvert, adopted by the following vote:

Ayes: Fox, Calvert, Hansen.

Noes; None.

Absent: None.

That I have carefully compared the same with the original minutes of said meeting on file and of record in my office and that said resolution is duly entered of record in Minute Book 2, at pages 808 to 811, inclusive, and said resolution is a full, true and correct copy of the original resolution adopted at said meeting and entered in said minutes. That said resolution has not been amended, modified or rescinded since the date of its adoption and the same is now in full force and effect.

In witness whereof, I have hereunto set my hand and affixed the official seal of said District this 25th day of November, 1940.

[Seal] BLANCHE COVERT,
Secretary of the Board of Directors
of Provident Irrigation District

[Endorsed]: Filed Nov. 28, 1940.

Testimony of
T. E. BALCH,

witness produced on behalf of the Debtor, sworn.

Direct Examination

By Mr. Freeman:

Q. Will you state your name, please?

A. T. E. Balch.

(Testimony of T. E. Balch.)

Q. Mr. Balch, you are superintendent of the Provident Irrigation District? A. I am.

Q. And you have been superintendent for what length of time?

A. Since January of 1928?

Q. January of 1928, and you are such superintendent; are you familiar with all the structures and so forth in the District? A. I am.

Q. What is their condition, are they in need of repairs and improvements?

A. Very much so.

Q. What is their condition just generally speaking, so that the Court will know?

A. When the District was originally built, the structures were made of wood, redwood, and they had been rotting out. We have replaced a few with concrete but there is still a number that are badly in need of replacement. The District cuts across three depressions and we have some flumes that are in very bad shape, all rotted out, and have been unable to spend enough money to keep them in shape.

Q. And you have some farm bridges over your canals? A. Yes, sir.

Q. Will you state their conditions?

A. They are very dangerous to the traveling public. Where we have these sales of lands, we will have to maintain laterals [78] and drains where in pasturing we didn't maintain none of these, because we considered a good deal of the land rather poor,

(Testimony of T. E. Balch.)

and we were doubtful whether we would get the money back. Now they are back on the assessment rolls, and we will have to be in a position to put water to those places, we will have to fix up the culverts across the drains and laterals to those places.

Q. The laterals there, they might be repaired and rehabilitated, is that it? Did you recently make an estimate of the cost of the work that you believe should be done?

A. Some time ago an engineer and myself went over the district and made an estimate.

Q. Who was that engineer?

A. Jack Knight of Tracy.

Q. When was that done?

A. That was done in December of 1939 or January of 1940, I believe.

Q. That was January of 1939, wasn't it, that was before any of this reorganization was done and before the necessity became evident for fixing up these laterals, to take care of the new farmers? That was before we anticipated the sale of the land?

A. Yes.

Q. What was the estimated cost then?

A. The estimated cost, upon the way we were, that we were irrigating, was \$51,000.00, approximately \$51,000.00.

Q. Are you familiar now with the situation as to the cash on hand in the district?

A. Well, I know we have somewhere around \$22,000.00 on hand.

(Testimony of T. E. Balch.)

Q. Do you need that money, Mr. Balch, for the usual operations of the District?

A. We have to go pretty easy to get along with that. We really [79] need more than that.

Q. And there will be no assessment coming off that land until next year?

A. That is right, next December.

Q. All the money you have is that small amount of cash on hand to carry you on through?

A. That is right.

Q. And having followed this district through, and over this period of twelve years, in your opinion could the land carry any greater burden than it will have to carry under this reorganization and re-financing?

A. I think times will have to improve or the farmer will be in pretty bad condition. The picture is not quite as rosy, as we look at it.

Q. Under the reorganization, the \$14.50?

A. I think it will still be hard to get along. There isn't anything wonderful about the land.

Q. What is the price of rice now?

A. Several sold rice the other day, and the buyer offered \$1.30 for 44 head rice to one grower, at my place the other day.

Q. Is that warehouse rice? A. Yes.

Q. And out of that they would have to pay the cost of warehousing? A. Yes.

Q. Is that rice crop a crop that can be obtained year after year?

(Testimony of T. E. Balch.)

A. No, on the best lands sometimes they can get two crops out of three, but it is very poor. If they take one crop and summer fallow the land and plant their grain the third crop, those fellows are really making a lot of money, but if they [80] farm it two out of three, they are just struggling along.

Q. The usual practice is to farm just half of their land each year to rice?

A. That is right.

Q. Under the system of allotments by the Department of Agriculture, you can't farm all of your land you want anyhow, can you?

A. No. With the low price of rice, they barely make expenses, and the bonuses, or whatever you call it is the only thing they have to live on.

Q. You mean benefit payment?

A. The benefit payment, and if we get out of hand all the farmers are thrown out, and you won't—

Q. (Interposing) You mean they don't get the benefit payments made by the Government?

A. That is right.

Q. Mr. Balch, you have been there all of the time since these applications have been made for the Reconstruction Finance loans; is there any other way you know of, that would pay these bondholders any greater sums of money than what they are getting under the loan? A. I do not.

Q. Would you say the plan is fair then to them?

A. Remarkably so.

Mr. Freeman: That is all.

(Testimony of T. E. Balch.)

Cross Examination

By Mr. Cook: Q. What would you say was the cost in the average year in this district in farming the land per year in rice?

A. I have talked it over with several trying to get the figures from a number of growers, and we arrived at from \$33.00 [81] to \$37.00 an acre, not counting the cost of water.

The Court: And what is the water cost?

A. \$5.00 an acre, and the landowner furnishes the water.

Mr. Cook: Q. And out of that cost, do you allege there is about 75 cents an acre to carry this \$14.50, and you include that 75 cents an acre in this cost?

A. No, we did not—we were trying to figure out what it cost to raise rice. That was just the tenant's cost of preparing the land.

The Court: That is the actual labor?

The Witness: That is actual labor.

Mr. Cook: Q. If you paid \$1.50 an acre instead of 75 cents, it wouldn't make any material difference on the cost of his operations, would it?

A. Well, if a man pays \$35.00 to raise a crop of rice and gets 30 sacks, and the rice brings about \$1.00——

Q. He can't even raise it, is that what you mean?

A. Yes, he can't raise it.

Q. Is that what they are going to raise there?

A. They do, that is what counts.

(Testimony of T. E. Balch.)

Q. Mr. Balch, what is the usual portion of the crop that goes to the landowners?

A. About $6\frac{1}{3}$ per cent of the crop.

Q. About $6\frac{1}{3}$?

A. And the landowner furnishes the water.

Q. He has to furnish the water and pay taxes and assessments against the land?

A. That is **right**.

Q. The crops have run—what is the average, Mr. Balch, if you know?

A. I believe it is a little better than 25 sacks. I am not positive of that. [82]

Q. Then out of 25 sacks to the acre or 30 sacks to the acre the landowner gets 10 sacks.

A. To pay for water and assessment taxes.

Q. Every other year? A. That is right.

Mr. Cook: That is all.

Mr. Freeman: I would like to take the stand.

Testimony of

GEORGE FREEMAN,

witness produced on behalf of the Debtor, sworn.

Direct Examination

By Mr. Blaine:

Q. Will you state your name, please?

A. George R. Freeman.

Q. And what is your business or occupation?

A. Attorney-at-law.

(Testimony of George Freeman.)

Q. And how long have you been such?

Mr. Cook: I admit his qualifications.

Q. Are you counsel for the Provident Irrigation District?

A. I am and have been since 1924.

Q. And during that time you have been counsel acting on behalf of the District, in reference to the refinancing of the District? A. I have.

Q. And have you under any of your duties with the Provident Irrigation District, in connection with the refinancing, been paid or agreed to be paid by any bondholders or any other person other than the Provident Irrigation District?

A. I have not.

Q. In connection with the filing of this bankruptcy proceeding have you been paid anything by anyone? A. No, I have not.

Q. What in your opinion is a reasonable value of the services [83] rendered in connection with this bankruptcy proceeding in the District?

A. Well, I would say this—It is my idea that the value of the services rendered was \$1000.00 but the Reconstruction Finance Company says \$750.00, so we call it that.

Mr. Blaine: That is all.

Cross Examination

By Mr. Cook:

Q. You have been the attorney there all of this time and you are familiar with the funds, could you make a statement about the bond fund moneys?

(Testimony of George Freeman.)

A. No, I could not. I will have to call on the Secretary for that. I don't know offhand.

Q. Maybe you can state this, wasn't it in 1936 or about that time that the District declared a surplus of \$10,000.00 available? A. Yes.

Q. They declared they had \$10,000.00 available?

A. In the general fund.

Q. They had that money to purchase bonds and as a result of the litigation it was, the Court held that you could not go out and buy bonds and that you would have to have that \$10,000.00 available to redeem all the prior bonds at that time?

A. That is it, the money was in a general fund at the time and they declared a surplus and bought bonds with it at 20 cents on the dollar. Suit was brought by the Provident to set aside that and get the money in the treasury; that was done and put in the general fund.

Mr. Cook: We will get the rest of the information from the Secretary. That is all. [84]

Mr. Freeman: Mr. Cook, the secretary states the money from the redemption went into the bond fund, approximately \$5500.00.

Mr. Cook: Is there any of that money there now?

Mr. Freeman: It is in the bond fund included in the balance that Mr. Balch said they had \$22,000.00 in cash.

Mr. Cook: Q. And that total of \$22,000.00 included that \$5500.00? There is a little more information I would like to present the picture about that \$3000.00, will you state this—Your plan provides for the payoff of all of the January 1, 1931 coupons without reference to when they were presented.

Mr. Freeman: Yes.

Mr. Cook: Can't we agree on this statement, that the law, Section 52 and relevant sections, provide for payment as to a solvent district at any rate in the order of presentation? A. That is right.

Mr. Cook: Sometimes, therefore, in operation, when a man is late in presenting coupons, somebody may be paid under that statute whose bonds matured actually afterwards, because he presented them first, but here in this plan you have entirely abandoned any connection to that rule, that rule is not applied in that plan at all?

Mr. Freeman: No.

Mr. Cook: The rule you adopted here was that you would pay everything up to and including interest to January 1931 whenever or wherever presentation was made.

Mr. Freeman: That is correct.

Mr. Cook: Therefore it is the fact that a great many coupons were presented, and have been paid, that were presented after Mr. Nelson Taylor's bonds were presented in 1931.

Mr. Freeman: That probably would be true.

Mr. Cook: Do you agree it is true?

Mr. Freeman: I think so.

Mr. Cook: Will you also agree there were other bonds that were due on August 15, 1930 that have been paid?

Mr. Freeman: That is correct, yes.

Mr. Cook: Do you also agree that some of the bonds have been paid after January 1, 1931, immediately in point then, that some bonds have been paid, some few bonds have been paid during the intervening years, since January 1, 1931.

Mr. Freeman: There have been bonds cancelled but not paid on land transactions. I think probably, Mr. Cook, what you have reference to there is that \$2000.00 redemption. I think those were from earlier bonds. At the time the position was taken that the bonds that Mr. Taylor now owns, were outlawed, and two bonds subsequently paid ahead of those. I think that is true.

Mr. Cook: And you do agree those three bonds that I represent are not outlawed?

Mr. Freeman: I wouldn't say they were outlawed.

Mr. Cook: They were presented, but the reason you state that these other payments were made is because the District's officials concluded they had outlawed, and therefor some other bonds should be paid?

Mr. Freeman: That is correct, that is my recollection of the way it happened.

Mr. Cook: If it is proper, then, I would like to move that the plan be amended, or if it be approved,

that it be approved subject to these three bonds being left out of the plan, to be paid by the District or that the plan be amended in that respect.

Mr. Freeman: I think that is a matter for the Court to [86] determine as to those three bonds. He has all the facts. You asked me before to amend the plan and at the time I said we will leave it entirely to the Court.

The Court: Would that enter into the possibility of others having bonds, and that if they were here, they would assert their claim?

Mr. Freeman: I think not, your Honor, I think those other bonds will probably come in, and we do not know to whom they belong. I think it is true there aren't any bonds that are in the class of those three bonds.

The Court: What is to be said for the Court making exception of those three bonds? I followed the testimony and the Reconstruction Finance Corporation fixed the date, did they not?

Mr. Freeman: Yes, they fixed the date.

Mr. Cook: I don't know, I think there ought to be some method or some date fixed.

The Court: Suppose they had fixed some other date?

Mr. Cook: I am not asking for a different date. Here we have this rule of Section 52 that I referred to, the ordinary rule is that the obligation is paid in the order presented. Now then it has been held by the California courts that where a district becomes insolvent, that rule should be abandoned in

favor of a prorated rule, and I take it the prorated rule would be applied here by paying \$200.00 on each bond; that would be a prorated rule. Well then you shall take some date from which the proration will proceed, and, well, they take anything after January 1, 1931. There is no obligation before January 1, 1931 that isn't paid in effect except these three bonds; every other obligation is paid and every obligation from January 1, 1931 is prorated under this plan. Therefore I say these three bonds [87] taking that very date should be paid before—

Mr. Freeman: Counsel, I explained why they aren't paid. The District had apparently assumed that the bonds had been outlawed, and when they had a sum of money they paid some other bonds. It is no fault of my client.

The Court: That would involve a transaction of six hundred and sixty odd dollars?

Mr. Cook: It involves \$3000.00.

The Court: And you get a preferred class, is that it?

Mr. Cook: I take the position that the Court should authorize the payment of those three bonds as all of the other bonds before January 1931 have been paid in full, only through some bookkeeping error or misunderstanding—

The Court: There wasn't any bookkeeping error or misunderstanding. If there is, point it out. I am willing to be helpful but not to the point where because you have been appearing, and because other bondholders did not appear—I am thinking of the

whole picture now, I do not know how some other bonds might be affected, with another ninety days added or subtracted. I do not know, I am not able to visualize the picture. To just now pick some other date for these three bonds doesn't appeal to me.

Mr. Cook: This plan in effect says that every obligation which was due January 1, 1931 which matured before that shall be paid in full.

Mr. Freeman: I disagree with that statement, it says as to interest obligations. We had to have some definite date and they fixed that date. It is unfortunate for Mr. Cook's clients that he had three bonds which had been matured and not paid. They can't make the thing work out exactly when there is \$957,000.00 worth of bonds. [88]

The Court: Is there anything, keeping in mind the Court's duty here, that you gentlemen could work this out on some equitable basis and justify it under the law? I don't know of anything, I confess your judgment should be better than mine.

Mr. Freeman: I don't know either. The Reconstruction Finance Company only provides for the payment of 20 cents on the dollar, and you have seen the financial condition of this District, and it would mean that the District would have to pay it and we haven't money enough to pay it. That is why we had to finance it, that is the only thing that could be done for the District.

The Court: It wouldn't be worth three cents on the dollar. The fact is it is a liability in its entirety, as I see it.

Mr. Cook: There is a question whether it will work out or not, that doesn't say that the plan doesn't discriminate.

The Court: I am not going to say it doesn't discriminate but in fixing a date you must of necessity discriminate. Why did they fix this particular date?

Mr. Cook: We take the position that the date first is January 1931. All right. These bonds are due before that, therefore I must ask the Court the question that the Court will have to ask itself. Why isn't it fair—Why is it fair to not pay these three bonds that fell due before that very date they fix?

The Court: Why didn't he get paid, because the coupons were separated from the bonds?

Mr. Cook. The District just refused to pay, and we brought an action to require payment. I don't know what happened to that.

Mr. Freeman: I wouldn't take it that the District wouldn't just pay, the District couldn't pay at the time that Mr. Cook [89] called attention to the two bonds. It had not then been established as to the outlawing period, and the position was taken that these bonds could not be paid until it was proved they were not outlawed, and since that time there has been no money to pay them.

Mr. Cook: I suppose it is undoubtedly true that the money came in several years preceding and afterwards, but the money was there before you filed your bankruptcy petition.

The Court: Yes, but it wasn't there when you went to get it.

Mr. Cook: That is true.

The Court: Then why should you be a preferred creditor and have, as a legal proposition have you present a preferred claim to this court?

Mr. Cook: This plan says that every bond, and every claim due before January 1, 1931 shall be paid except Mr. Nelson Taylor's. That is the effect of it.

Mr. Freeman: I will read to you from the Petition.

(Thereafter Mr. Freeman reads from the petition.)

The Court: Suppose the date was fixed six months in advance either way. How would that affect the bonds?

Mr. Freeman: I don't think it would affect the bonds at all. It just orders the payment of 20 cents on the bonded indebtedness; on the bonded debt it doesn't say whether they are matured or unmatured. If the interest payments were reduced back to July 1, 1930, the only difference there would be that the other people then wouldn't receive full payment for their January payment and a different bondholder would be in the same boat.

The Court: Unless you establish a perfect claim legally, the Court will have to put all bondholders in an equal position. We have fixed a date in order to protect your client. I don't [90] know how I am going to change it.

Mr. Cook: These three bonds, if the District had carried out its duty, it would have paid them

at the time they had the \$10,000.00.

Mr. Freeman: You misunderstood, that \$10,000.00, that never went into the bond fund, it was set aside to buy bonds on the market at the lowest price.

Mr. Cook: This exhibit that I went into, the exhibit shows assessments for 1934 and 1935 received and presumably each year they have received assessments. Counsel will agree that there has been, since probably 1932, there has always been some money in the bond fund or should have been in the bond fund.

Mr. Freeman: You are going too far when you say there should have been, until this redemption was made in 1939—that is the first time there was any money in the bond fund.

Mr. Cook: Let me ask you this, what was done with these assessments made each year, there were assessments made for bond redemption.

Mr. Freeman: Since when?

Mr. Cook: That is what I ask you.

Mr. Freeman: The last one here was made about 1935.

Mr. Cook: Assessments were made to pay bonded interest up to what year?

Mr. Freeman: The assessments were made up to 1935 but they weren't paid.

Mr. Cook: Some were paid each year, were they not?

Mr. Freeman: No.

Mr. Cook: This statement shows there was over \$1600.00 in assessments.

Mr. Freeman: What year? [91]

Mr. Cook: 1935

Mr. Freeman: That is in 1936. We went under Section 11, there were some payments made with bond coupons, which would appear on that exhibit. Redemptions have been made from certain delinquent sales with bonds and coupons.

Mr. Cook: Well, I think we ought to have a record here and a statement somewhere here.

Mr. Cook: Up to the time these bonds fell due in 1930, were there any assessments for bonded interest or principal that were received by the District?

Mr. Freeman: I think that is entirely immaterial. The Act provides all claims are of one class, all creditors are of one class. All this argument is on the proposition as a preferred creditor, he has got a claim which is in the same class as any other of the creditor's claims.

Mr. Cook: Well my position is that as far as the statute, Section 52, it provides for the payment in order of presentation. If that were applied to this \$10,000.00 and the \$5500.00—we would be entitled to payment under that rule. The Court is going to apply a rule of its own and I suppose that rule is——

The Court: I will tell you what that rule is. These bondholders as far as the Court is concerned will have to be in one class, unless you make a showing that you are in a preferred class. As I see it the bondholders are all in one position, namely 20 cents on the dollar. Now you ask the Court for

100 cents on the dollar, there didn't happen to be any money in the treasury to pay the bonds when they became due in 1930. I could not legally or otherwise make a preferred class of these two bonds.

Mr. Cook: The District admits that except for error on its [92] part these would have been paid.

The Court: What error was made? If there was an error made, I want to know it.

Mr. Freeman: The error that was made, we did pay two bonds that came due after these bonds came due on the theory that these three bonds were outlawed by reason of their nonpresentation. Now it is only in the last couple of years that the Court determined that the statute of limitations does not run against those bonds, and since that time there has been no money available for their payment. That is the error. Because we didn't have any money until 1939 in the bond fund.

Mr. Cook: In other words then but for that misunderstanding of the law it wasn't paid and then the Court comes along and says that these bonds should have been paid, for that reason we had been deprived of the money.

The Court: How can this court know whether they should have been paid in 1930 if the showing is that they didn't have the money?

Mr. Cook: The showing is that they had money to pay two other bonds.

The Court: I would like, if I could legally to give the money and I would have no hesitancy, but

it would not be fair to the others who are to be paid 20 cents on the dollar.

Mr. Cook: Will Counsel state approximately how much money has been received by the District in the payment of assessments that were made for bonds since these bonds were presented in January of 1931?

Mr. Freeman: You mean now make that kind of a statement? I think the only money that has been paid for assessment since that time is the amount that was paid for redemption in 1939 [93] that is in the bond fund.

The Court: I think you have done everything you can for your client as a legal proposition, Mr. Cook. I don't see how this court can conclude legally that because your client has three bonds he has a preferred claim here.

Mr. Cook: There is a factual thing that isn't in the record. I think the District ought to make a statement as to what moneys have been received since January 20, 1931, by the way of collecting assessments that were levied for bond service. The Court says that there was no money there and they probably should show money was received, and these bonds could have been paid before the bankruptcy proceedings were filed.

Mr. Freeman: My objection to that is it is entirely immaterial.

Mr. Cook: I ask the District to show what their assessments were since January 20, 1931 for bond service of any character and let Mr. Freeman make his objection and let the Court rule on that.

The Court: I don't know what the factual situation is. It is up to you to offer the proof; put someone who knows the facts on the stand.

Testimony of

BLANCHE COVERT

witness produced on behalf of the Respondents,
Sworn.

Mr. Cook: I offer this statement of December 31, 1937 as Respondents' Exhibit "B".

(The document was marked Respondents' Exhibit "B".)

EXHIBIT "B"

PROVIDENT IRRIGATION DISTRICT

Statement of Receipts and Disbursements

Year Ended December 31, 1937

| | |
|-----------------------------------|---|
| Balance on Hand—December 31, 1936 | \$20,998.21 |
| Receipts: | |
| Assessments 1935 | \$ 44.15 |
| Assessments 1936 | 138.03 |
| Assessments 1937 | 189.54 |
| Income from Land | 23,121.01 |
| Interest on Deposits | 128.65 |
| Water Tolls | 12,086.56 |
| | <hr style="width: 20%; margin-left: auto; margin-right: 0;"/> |
| Total Receipts | 35,707.94 |
| | <hr style="width: 20%; margin-left: auto; margin-right: 0;"/> |
| | 56,706.15 |

(Testimony of Blanche Covert.)

the foregoing is a full, true and correct statement of the receipts and disbursements of said District for the year 1937, together with the source of such receipts and purposes of said disbursements.

[Seal] BLANCHE COVERT

Subscribed and sworn to before me this 17th day of March, 1938.

LOUISE REESE JOHNSON

Notary Public for the County of Glenn, State of California. March 17—24

[Endorsed]: Filed Nov. 18, 1940.

Direct Examination

By Mr. Cook:

Q. Mrs. Covert, you are secretary of the District? A. Yes, I am. [94]

Q. And you have been there for a good many years in connection with the District?

A. Yes, four years.

Q. You are familiar with the books and records—the financial books of the District?

A. Yes, I am.

Q. Now you know these three bonds numbered 7, 8 and 9 called the Orema bonds—they were presented January 20, 1931—do you recall that?

A. I don't recall when they were presented.

Q. Do you recall they were presented along about that time? A. Yes.

(Testimony of Blanche Covert.)

Q. Not long after they were due?

Mr. Freeman: Were you there in 1931?

The Witness: No.

Mr. Cook: Q. Does your record show that presentation?

A. Yes, it shows it; I don't remember offhand the date it shows the presentation.

Mr. Cook: At this time I offer the claims of the respondents, they are in the record, if your Honor please. They are the claims of Nelson Taylor, J. R. Mason, Gilbert Moody and A. J. Ronsse and N. O. Bowman.

Mr. Freeman: The claims do not intend to prove anything. I don't think it is properly part of the evidence.

Mr. Cook: Well I have always put them in: do you agree that they are correct?

Mr. Freeman: I do not know anything about them.

Mr. Cook: Well, I will offer them in evidence and the Court can require them to be filed. I think the record of the District shows they were presented on the dates we claim. [95]

Mr. Freeman: All right, we will stipulate they were presented in January.

Mr. Cook: Q. Since January 20, 1931 have any payments been made of bond principal or interest?

A. Since January 1931?

Q. 1931. A. I don't think so.

(Testimony of Blanche Covert.)

Q. On this statement of 1935 where it says bonds redeemed and interest coupons—I am not trying to trip you up on that—these \$2000.00 bonds, they were paid, is that right?

A. I presume they were, I don't recall offhand how it was or who they were.

Q. Do you recall anything about those interest coupons of \$3120.00?

A. No, that was before I was up there.

Q. Referring to these items, assessments of 1930, 1934 and 1935, were they part of that bond fund money?

A. Well, at the beginning of the year 1936, I recall there was \$45.00 in the bond fund.

Q. \$45.00? A. Yes.

Q. Then after that was there any money received, any assessments that were paid for bond principal or interest after 1935?

A. There was a redemption quite a bit later I think in the summer of 1939.

Q. That is the redemption Mr. Freeman spoke about? A. Yes.

Q. \$5500.00? A. Yes.

Q. They call that part of the bond fund?

A. Yes.

Q. In other words, the only other amount that was ever collected for assessment since 1931 was about \$45.00, did you state that [96] to be so?

A. Yes, there are some very small amounts.

(Testimony of Blanche Covert.)

There was a redemption of about, I believe, about 60 acres, some time since 1936. I don't remember just when but that amount, Mr. Freeman mentioned, was only last year.

Q. Could you say anything about this item of \$1600—\$1607.15 assessments in 1930?

A. No, I don't recall what that is.

Q. In this statement of 1936, assessments of 1935, 1936 and 1937, there is four or five hundred there.

A. Well, this began with the 1936 assessment, we were under Section 11; possibly some of that was for bond fund, that might be that one I spoke of. I don't remember which year it was.

Mr. Cook: Will the Court permit those claims to go into the evidence?

The Court: Yes. What is the purpose of the offer?

Mr. Cook: The purpose of the offer is to establish the claims so that they can be—be established. That is all for the witness.

(The document was marked Respondents' Exhibit "C".)

The Court: Is the matter submitted, Gentlemen?

Mr. Cook: I would like to file a written memorandum.

The Court: What is the position of the other side?

Mr. Freeman: Well, I have no objection to Mr. Cook filing a memorandum, if we have a reasonable time to reply if we desire any reply.

The Court: Why shouldn't the plan be granted at this time? I have indicated my state of mind on the law. Now if you can hope to meet that and have something in mind that I am unaware of, I do not want to arbitrarily state to you that I want to [97] dispose of the case today, but I am going to the City tomorrow and unless there is some good reason, I would like to conclude the matter right here.

Mr. Freeman: We would like to get our interlocutory decree and move the thing along. Some of these other bankruptcy matters have taken six or seven years.

The Court: Unless you gentlemen can work out something that I can't foresee yourselves, the Court would approve of it.

Mr. Cook: Well there would be no harm if I were permitted to have five days for the filing of a brief and let it be submitted after that.

Mr. Freeman: I can't see any reason for it being submitted. I think we are entitled on the showing we have made now.

The Court: 94 per cent of the bondholders?

Mr. Freeman: 94 per cent plus, yes.

Mr. Cook: The Supreme Court says that doesn't count.

The Court: The Supreme Court does the best it can with disputed situations. I try to keep in mind the substance of these things and do from day to day the thing expected of me, that doesn't indicate I have a personal score with the Supreme Court or other courts for they have their duty and they are limited to the record. They do the best they can and my duty here seems to be clear, and for that reason I will confirm this petition.

Mr. Cook: What other payments are there aside from the counsel fees?

Mr. Freeman: There is all the expense of process and so forth, whatever those are.

Mr. Cook: Might I point out the plan doesn't allow any compensation for the objecting bondholders. [98]

The Court: If the law did and if I could read that into the law I could be able to help you.

Mr. Cook: I would like to request a special finding on the question of the three bonds when the findings are filed, on the fact regarding those bonds.

Mr. Freeman: I can't see any purpose in a special finding, the law does not require it.

Mr. Cook: Rule 52-A provides for special findings.

The Court: I will leave that for you gentlemen, as he has raised the issue and if he wants a special finding I am willing to give it to him.

Mr. Freeman: I am ready to write it.

The Court: Is that all, Gentlemen?

Mr. Freeman: That is all.

Mr. Cook: That is all. [99]

CERTIFICATE OF SHORTHAND
REPORTER:

United States of America,
Northern District of California—ss.

I, B. E. O'Hara, being a Court Reporter for the United States District Court for the Northern District of California, do hereby certify:

That I was present in court at the time of the hearing of the Petition of Provident Irrigation District, heard before Honorable Michael J. Roche, United States District Judge, on November 18, 1940; that I took down in shorthand notes all testimony given and proceedings had; that I thereafter caused all of said shorthand notes taken by me to be transcribed into longhand typewriting, the foregoing and annexed pages 1 to 61, inclusive, being a full, true and correct transcription thereof and a full, true and correct transcript of said testimony given and proceedings had.

B. E. O'HARA

[Endorsed]: Filed Mar. 28, 1941. [100]

In the District Court of the United States for the
Northern District of California, Northern Division
No. 9078 in Bankruptcy.

In the Matter of

PROVIDENT IRRIGATION DISTRICT,

Petition for Confirmation of Composition.

FINDINGS OF FACT, CONCLUSIONS OF
LAW AND INTERLOCUTORY DECREE

This cause came on this day before me to be heard upon application of the Provident Irrigation District for confirmation of its plan of composition of indebtedness, heretofore filed in this court, and the court having heard the testimony as presented by the respective parties, together with the argument of counsel, and being fully advised in the premises, finds as follows:

I.

That the petitioner is an irrigation district, duly organized and existing under the laws of the State of California and is an eligible petitioner within the terms and meaning of Public No. 302, enacted by the Seventy-fifth Congress and approved August 16, 1937, (constituting an amendment to the uniform bankruptcy laws of the United States and acts amendatory thereof and supplemental thereto), and that the petition herein was filed pursuant to the provisions thereof.

II.

That petitioner is located in Glenn and Colusa Counties, State of California, and within the territorial jurisdiction of this court; that proof of publication of the notice [101] to creditors heretofore ordered by this court has been duly filed; that such notice was first published as required by law and the order of this court, and that copies thereof were duly mailed to each of the creditors at their last known postoffice addresses at least sixty days before the date fixed for this hearing.

III.

That the filing of the petition herein was authorized by proper resolution duly passed and adopted by the Board of Directors of the petitioner prior to the filing thereof, and that the fees required by the act hereinbefore mentioned were duly paid.

IV.

That the petitioner is insolvent or unable to meet its debts as they mature and desires to effect a plan for the composition of its debts; that the plan of composition as offered by the petitioner herein is fair, equitable and for the best interests of its creditors, and does not discriminate unfairly in favor of any creditor or class of creditors; that the plan of composition of debts complies with the provisions of Section 83, Chapter IX, of the Bankruptcy Act of 1898, as amended, and has been accepted and approved in writing by or on behalf of creditors hold-

ing at least 94.15 per centum of the aggregate amount of claims of all classes affected by such plan, and which have been admitted by the petitioner and allowed by the court, excluding claims owned, held or controlled by petitioner; that all amounts to be paid by petitioner for services or expenses incidental to the composition of its indebtedness have been fully disclosed and are reasonable and that the offer of the plan and its acceptance are in good faith and petitioner is authorized by law upon confirmation of the plan to take all action necessary to carry out the terms thereof.

V.

That all of the allegations contained in Paragraphs I, II, III, IV, V, VI, VII, VIII, IX, X, XI, XII of the petition herein are true. [102]

VI.

That all of the allegations contained in Paragraph I. of the Answer and Objections to Petition for Confirmation of Composition filed by respondents Nelson Taylor, A. J. Ronsse, J. R. Mason, Gilbert Moody, James H. Jordan and N. O. Bowman are true; that all of the denials and allegations contained in Paragraphs II, III, IV, V, VI, VII, VIII, IX, X, XI, XII, XIII, XIV, XV, XVI, XVII, XVIII, XIX, XX, XXI, XXII, XXIII, XXIV, XXV, XXVI, XXVII of said Answer and Objections to Petition for Confirmation of Composition are untrue; that all of the allegations con-

tained in Paragraphs I, II, and III of the Amendment to Answer and Objection to Petition for Confirmation of Composition filed by respondents Nelson Taylor, A. J. Ronsse, J. R. Mason, Gilbert Moody, James H. Jordan and N. O. Bowman are true; that all of the allegations contained in Paragraphs IV, V, VI and VII of said Amendment to Answer and Objections to Petition for Confirmation of Composition are untrue.

VII.

With reference to Paragraph VIII of said Amendment to Answer and Objection to Petition for Confirmation of Composition, the court finds that it is true that \$3000.00 of bonds owned and held by respondent Nelson Taylor, to-wit, Bonds Nos. 7, 8, and 9, matured on the 15th day of August, 1930, and were presented for payment on the 30th day of January, 1931, and that all other bond obligations of the petitioner herein maturing on or prior to said 15th day of August, 1930, have been paid in full; that it is true that all interest coupon obligations of said petitioner which matured on or before January 1, 1931, have either been paid in full or the petitioner now offers to pay the same at their face value, including any and all unpaid interest coupons appurtenant to said bonds of respondent Taylor up to and including the date of their maturity; that it is true that under the plan of composition of petitioner respondent Taylor will be required to accept and take 20 cents on [103] the dol-

lar for his said \$3000.00 of bonds, but it is not true that said plan is unjust or unfair or discriminatory for that reason, or for any other reason, or at all.

VIII.

That the court has carefully examined all of the contracts, proposals, acceptances, deposit agreements and all other papers relating to the plan of composition and finds that neither the fiscal agent, attorney and/or any other person, firm or corporation interested in said plan of composition in any manner, has been or is to be compensated, directly or indirectly, by both the petitioner and the creditors thereof, or any of such creditors, either by fee, commission, or other similar payment, or by transfer or exchange of bonds or other evidence of indebtedness whereby a profit could accrue, and the court further finds from such examination and from the evidence given under oath that such practice does not obtain and that the fiscal agent and attorney for the district have been the only persons assisting the District in these composition proceedings, and that each of them have been compensated by the petitioner and that no creditor has paid or has agreed to pay any compensation to such fiscal agent or attorney, or either of them, or any other person acting for or on behalf of the District.

As

CONCLUSIONS OF LAW

from such Findings the Court determines that the Plan of Composition should be confirmed.

It is therefore ordered, adjudged and decreed as follows:

That the plan of composition of the debts of Provident Irrigation District of Glenn and Colusa Counties, State of California, be and the same is hereby approved and confirmed.

That all of the outstanding bonds and other indebtedness of petitioner as itemized and enumerated in the petition in this cause, or in the schedules annexed thereto as amended, and made a part thereof, are of one and the same class, are payable [104] without preference out of funds derived from the same source or sources, and are hereby allowed as obligations of the petitioner, whether presented or not, and that the several holders thereof are entitled to ratably participate in the distribution of the funds in accordance with the plan of composition and the decrees of this court as hereinafter provided.

That in order to provide the funds necessary to pay the incidental expenses and to pay for the outstanding bonds of the petitioner as contemplated by the plan of composition aforesaid and the orders of this court, petitioner is hereby authorized to forthwith duly issue and sell its refunding bonds to the Reconstruction Finance Corporation in amounts required to pay such incidental expenses and to pay the sum equal to twenty (\$.20) cents on the dollar of the principal amount of its outstanding bonds (not purchased by the Reconstruction Finance Corporation), and to repay the Reconstruc-

tion Finance Corporation the money expended by it for the purchase of the old bonds of the petitioner as herein provided, with interest on all disbursements for such purposes at 4% per annum from date thereof. That the old bonds so purchased by the Reconstruction Finance Corporation will thereupon be canceled and returned to petitioner and that each and all of said refunding bonds so issued and sold by the petitioner to the Reconstruction Finance Corporation, as provided herein, are hereby declared to be valid obligations of such district and shall not at any time be affected by the plan of composition, or these proceedings.

That during the pendency of these proceedings the Reconstruction Finance Corporation is authorized to purchase from the holders thereof any of the outstanding bonds of petitioner upon the following terms and conditions, to-wit: The Reconstruction Finance Corporation to pay the sum of twenty (\$.20) cents on each dollar of the principal amount of the outstanding bonds, paying nothing on interest, and deducting from said amounts for missing coupons as provided in this decree for payment of the outstanding [105] bonds by the disbursing agent. That when purchased, as provided in this paragraph, the old bonds shall be delivered to the Reconstruction Finance Corporation and held by it as security for the funds furnished by it for such purpose, with interest thereon at 4% per annum, until such time as it receives from petitioner its refunding bonds for such disbursements and inter-

est, or petitioner may pay such interest and deliver bonds for the principal.

That the petitioner deposit with The Merchants National Bank of Sacramento as disbursing agent of this court, the sum necessary to pay the holders of its outstanding bonds, other than bonds which shall have been purchased by the Reconstruction Finance Corporation as herein provided, twenty (\$.20) cents on the dollar of the unpaid principal amount thereof, and the holders of said bonds be and they are hereby required to deposit said bonds with all unpaid interest coupons attached with the disbursing agent before payment is made as herein provided; that if any bonds are so deposited with any unpaid interest coupons due between July 1, 1931 and August 15, 1939, missing, the disbursing agent shall make a deduction from the amount to be paid therefor, a sum equal to 12.27 cents for each dollar of the face amount of such missing coupons, and if any bond be presented with any unpaid interest coupons maturing after August 15, 1939, missing, deductions shall be made from the amount to be paid therefor equal to the full face value of the missing coupons. In case any deductions are made on account of missing coupons, and such coupons are afterwards deposited within the time prescribed by this decree, there shall be paid to the holder of such missing coupons the amount deducted therefor; and provided further that for each coupon maturing on or prior to the first day of January, 1931, that may be surrendered or deposited, the

depositor shall receive the full face value thereof; that when payments shall have been made for the old bonds and coupons as provided in the plan of [106] composition and this decree, the disbursing agent shall mark said bonds and coupons so paid "Canceled" and return them to the petitioner.

That in the event any of the old bonds and interest coupons are not surrendered to the disbursing agent within thirty days after receipt by such agent of the money with which to retire the same, then the proportionate sum to which the holders thereof may be entitled under the plan of composition, and terms of this decree, shall be paid by the disbursing agent to the clerk of this court as Registrar, and thereafter paid by him to the holders of such bonds in accordance with the provisions of this decree and such further decrees of this court as made in reference to the payment of such bonds.

Upon being advised by petitioner that the funds with which to retire the outstanding old bonds have been deposited with the disbursing agent, the clerk of this court shall cause to be published in the Wall Street Journal (Pac. Coast Edition) and The Glenn Transcript, newspapers published in San Francisco and Willows, respectively, for two successive issues notice to the holders of the outstanding bonds of the petitioner directing every holder thereof to deposit any and all bonds of the petitioner with the disbursing agent within the thirty-day period above provided or thereafter with the clerk of this court for payment in accordance with this decree or be

forever barred from claiming or asserting as against petitioner or any individually owned property located within petitioner district or the owners thereof any claim or lien arising out of said bonds; provided, however, that nothing contained herein shall preclude the Reconstruction Finance Corporation from asserting its rights and claims under the old bonds so purchased by it to the extent and amount so expended in acquiring the same, with interest thereon at the rate of 4% per annum, until petitioner shall have delivered to the Reconstruction Finance Corporation its refunding bonds in form satisfactory to said [107] Reconstruction Finance Corporation in the aggregate principal amount equal to the money so expended in acquiring such old bonds, with interest.

That after the expiration of thirty days from the date of receipt of the funds to carry out the terms of the plan of composition and retire the outstanding indebtedness as provided in such plan, the disbursing agent shall make full and complete report to this court for confirmation, including an itemized statement of all receipts and disbursements together with a list of old bonds outstanding at the time of such report, showing serial number of and amount of each outstanding unpaid bond.

That any and all holders of the outstanding indebtedness of petitioner district be and are hereby enjoined, pending the entry of final decree herein, from attempting the enforcement or collection of any claim, judgment or lien, by legal proceedings

or otherwise, which they may have against petitioner or against any of the lands situated within petitioner district and held by individuals.

That the costs and expenses of these proceedings, including a reasonable attorney's fee of \$750.00 to petitioner's attorney for services in these proceedings, be taxed against the petitioner herein.

Done, Ordered and Decreed in the above entitled court this 21 day of January, 1941.

MICHAEL J. ROCHE

Judge.

Counsel for petitioner being unable to agree that any changes should be made in his proposed findings of fact and conclusions of law and interlocutory decree, service and receipt of a copy of which is hereby admitted this 16th day of December, 1940, the Findings of Fact and Conclusions of Law are disapproved as to form as provided in Rule 22 for the following reasons: [108]

1. The facts are not specially found, and certain conclusions of law are not separately stated.

2. That the Findings do not determine what the assets and liabilities of the Provident Irrigation District are while finding that the district is insolvent.

3. That Finding No. VII does not find as to all of the facts relating to the claim of Nelson Taylor and respondents request the adoption of the following additional finding in that respect:

“IS. Referring further to Paragraph VIII, of said Amendment to Answer and Objections to Petition for Confirmation of Composition, the Court finds that in 1939 the petitioner paid two bonds amounting to \$2000.00 which matured and were presented subsequently to the date upon which the said bonds of Nelson Taylor matured and were presented, and that such payment was made by the petitioner upon the mistaken assumption that the bonds of said Nelson Taylor had become barred by the statute of limitations. Further that said petitioner never notified Nelson Taylor at any time that funds were available for payment of his said bonds and further that the petitioner in its plan of composition offers and proposes to pay many coupons due January 1, 1931 which were presented for payment after January 30, 1931, and some of which had never been presented to the treasurer prior to the offer of the composition plan.”

The Interlocutory Decree is approved as to form as provided in Rule 22.

Dated: December 16, 1940.

W. COBURN COOK

Attorney for Respondents.

[Endorsed]: Filed Jan. 21, 1941. [109]

[Title of District Court and Cause.]

DISAPPROVAL

Service and receipt of a copy of the proposed Findings of Fact and Conclusions of Law and Interlocutory Decree Confirming Plan of Composition in the above entitled case are hereby admitted this 10th day of December, 1940.

The Findings of Fact and Conclusions are disapproved as to form as provided in Rule 22 for the following reasons:

1. The facts are not specially found and certain conclusions of law are not separately stated.

2. That the Findings do not determine what the assets and liabilities of the Provident Irrigation District are while finding that the district is insolvent.

3. That Finding No. VII does not find as to all of the facts relating to the claim of Nelson Taylor and respondents request the adoption of the following additional finding in that respect:

“IX. Referring further to Paragraph VIII, of said Amendment to Answer and Objections to Petition for Confirmation of [110] Composition, the Court finds that in 1939 the petitioner paid two bonds amounting to \$2000.00 which matured and were presented subsequently to the date upon which the said bonds of Nelson Taylor matured and were presented, and that such payment was made by the petitioner upon the mistaken assumption that the bonds of said Nelson Taylor had become barred by the statute

of limitations. Further that said petitioner never notified Nelson Taylor at any time that funds were available for payment of his said bonds and further that the petitioner in its plan of composition offers and proposes to pay many coupons due January 1, 1931 which were presented for payment after January 30, 1931 and some of which had never been presented to the treasurer prior to the offer of the composition plan.”

The Interlocutory Decree is approved as to form as provided in Rule 22.

Dated: December 10, 1940.

W. COBURN COOK

Attorney for Respondents.

[Endorsed]: Filed Dec. 20, 1940. [111]

[Title of District Court and Cause.]

NOTICE OF ENTRY OF
INTERLOCUTORY DECREE

To: Nelson Taylor, A. J. Ronsse, J. R. Mason, Gilbert Moody, James H. Jordan, N. O. Bowman, and to their counsel W. Coburn Cook, Esq.:

You and each of you will please take notice that an interlocutory decree in the above-entitled cause was entered and filed of record in the office of the clerk of the above-entitled Court on the 21st day of

January, 1941, confirming the Plan of Composition of the petitioner Provident Irrigation District.

Dated: January 23, 1941.

GEORGE R. FREEMAN
ELMER LAINE

Affidavit of Service by Mail attached hereto.

[Endorsed]: Filed Jan. 24, 1941. [112]

[Title of District Court and Cause.]

NOTICE OF APPEAL

To the Circuit Court of Appeals for the Ninth Circuit (Under Rule 73):

Notice Is Hereby Given that Nelson Taylor, J. R. Mason, Gilbert Moody, James H. Jordan and N. O. Bowman, creditors of Provident Irrigation District and respondents in this cause, hereby appeal to the Circuit Court of Appeals for the Ninth Circuit from the Interlocutory Decree Confirming Plan of Composition entered in this action on January 21st, 1941, the same being the Interlocutory Decree Confirming Plan of Composition entered after the hearing upon the plan of composition, and from the whole thereof.

Dated: February 18, 1941.

W. COBURN COOK

Attorney for Appellants
Berg Building
Turlock, California.

[Endorsed]: Filed Feb. 21, 1941. [113]

[Title of District Court and Cause.]

STATEMENT OF POINTS ON APPEAL
AND ASSIGNMENT OF ERRORS.

The appellants state that the points on which they intend to rely on appeal in this cause and the errors which they aver occurred at the trial and determination of this proceeding and the rendering of the decree appealed from are the following:

1. The trial court had no jurisdiction of the cause nor of the parties.

2. The Interlocutory Decree in this cause interferes with the political and governmental powers of the Provident Irrigation District and the properties and revenues thereof necessary for governmental purposes and to the public trust created by the California Irrigation Districts Act.

3. The plan of composition herein is unfair, inequitable and unjust and is not for the best interests of the creditors and it discriminates unfairly against the appellants. [114]

4. The plan does not comply with the provisions of Chapter IX of the Bankruptcy Act of the United States.

5. The offer of the plan and its acceptance are not in good faith.

6. The Provident Irrigation District is not authorized by local law to take all action necessary to be taken to carry out the plan of composition.

7. The Provident Irrigation District at the time of the filing of this petition and of the hearing and

of the entry of the decree was not or is not insolvent nor unable to pay its debts as they mature.

8. The evidence adduced at the hearing was insufficient to sustain the petition.

9. The court erred in classifying the creditors as one class.

10. The court erred in entering the decree herein taking vested rights of the appellants.

11. The court erred in approving and confirming the plan of composition.

12. The plan of composition discriminates unfairly against Nelson Taylor, appellant.

13. The court erred in confirming the decree as to Nelson Taylor and in not holding that he should not be made subject to the plan of composition.

14. The plan of composition violates the 5th Amendment to the Constitution of the United States by taking appellants' property and giving it to others without compensation.

15. The court erred in taking jurisdiction of a public trust imposed upon the Provident Irrigation District and administering the same and in depriving the appellants of their rights as beneficiaries of such trust. [115]

16. The court erred in not applying the local law as determined by the highest court of the State of California with respect to the order of payment of matured claims and in not finding and holding that the appellants, including Nelson Taylor, were and each of them is entitled to classification and payment pursuant to the provisions of Section 52

and 61A of the California Irrigation Districts Act.

17. The court erred in not finding the facts specially.

18. The court erred in that the findings do not determine what the assets or liabilities of the Provident Irrigation District are while finding that the district is insolvent.

19. That the findings do not determine all of the facts relating to the objections of Nelson Taylor and that the court erred in not adopting the additional finding requested by said appellant and which is set forth in the Disapproval attached to the Findings of Fact and Conclusions of Law.

20. That the plan of composition is not fair or equitable and that it is discriminatory in that it does not provide for the payment in full of the claim of Nelson Taylor, appellant.

21. That the court erred in not stating the Findings of Fact and Conclusions of Law separately.

22. That the court erred in not stating a time within which the district should deposit funds with a disbursing agent.

23. That the court erred in confirming the plan of composition as to James H. Jordan, inasmuch as it does not provide for payment of his detached coupons.

24. The plan of composition is not fair in that it sanctions and approves the actions of the district in making preferential and discriminatory payment to the injury of Nelson Taylor and the other appellants.

25. The plan of composition is unfair because it provides [116] for the payment of obligations of the district maturing up to and including January 1, 1931 in full, and does not provide for the payment in full of the bonds of appellant Nelson Taylor, amounting to \$3,000.00, which matured August 15, 1930, and which the district should have paid prior to the filing of its petition in bankruptcy.

26. The plan of composition is unfair in that no allowance of counsel fees is made for appellants' counsel.

27. The plan of composition violates the provisions of Section III, Public No. 669, 76th Congress.

28. The court erred in that the court did not carefully examine all the contracts, proposals, acceptances, deposit agreements, and all other papers relating to the plan, specifically for the purpose of ascertaining if the fiscal agent, attorney, or other person, firm or corporation promoting the composition, or doing anything of such a nature, has been or is to be compensated directly or indirectly by both the petitioner and the creditors thereof or any of said creditors—either by fee, commission or other similar payment, or by transfer or exchange of bonds or other evidence of indebtedness whereby a profit could accrue—or make a sufficient examination under oath to make certain whether or not any such practice obtained or might have obtained.

29. That the court erred in that it did not make an adjudication of the issues mentioned in the foregoing assignment of errors as a separate part of

his interlocutory decree, and erred in that it did not forthwith dismiss the proceedings on the grounds that such practice was possible and, in fact, prevails, although the appellants had specifically requested the court to examine into the possibility of such practice.

30. The plan of composition is unfair and discriminatory in that it provided for payment of July 1, 1931 coupons because [117] they were largely held by a group of creditors who had by arrangement managed to get control and ownership thereof, and that the payment in full of that coupon was discriminatory in that the amount paid therefor should have been pro rated amongst all of said coupons.

31. The plan of composition violates local law and it is discriminatory and unfair in that it violates rules of law and law of the case laid down in the case of *Provident Land Corporation vs. Zumwalt*, 94 Pac. (2d) 83, and related cases.

Wherefore, appellants pray that the decree of the District Court appealed from shall be reversed.

Dated: March 20, 1941.

W. COBURN COOK,

Attorney for Appellants

(Affidavit of Mailing attached hereto.)

[Endorsed]: Filed Mar. 21, 1941. [118]

[Title of District Court and Cause.]

AFFIDAVIT FOR ORDER FOR TRANSFER
OF EXHIBITS

State of California,
County of Stanislaus—ss.

W. Coburn Cook, being duly sworn, deposes and says: That he is counsel for the appellants herein; that the claims and exhibits herein are somewhat bulky and it is desirable that they be available for inspection by the Circuit Court of Appeals for the Ninth Circuit, and that the preparation of the Record on Appeal in this cause will be greatly facilitated if an order be made for their transfer to the Circuit Court of Appeals as part of the record on appeal in this case, and that this procedure of transfer of original exhibits has been found to produce that result, and therefore appellants request that an order for such transfer be made.

W. COBURN COOK

Subscribed and sworn to before me this 18th day of March, 1941.

GILBERT MOODY

Notary Public in and for the County of Stanislaus,
State of California.

[Endorsed]: Filed Mar. 20, 1941. [119]

[Title of District Court and Cause.]

ORDER FOR TRANSFER OF ORIGINAL
EXHIBITS TO CIRCUIT COURT OF
APPEALS.

It appearing to the Court that an appeal having been taken in this cause to the Circuit Court of Appeals, the original exhibits should be inspected by the Appellate Court and sent to the Appellate Court in lieu of copies, now therefore on application of appellants, and good cause appearing therefor;

It Is Ordered, that in lieu of copies, all of the original exhibits, proofs of claim, proofs of debt and consents to plan of composition filed in this cause be sent by the Clerk of this Court to the Circuit Court of Appeals for the Ninth Circuit as a portion of the record on appeal to be used in the Circuit Court of Appeals as a portion of the record on appeal, subject to such orders as may be made in the Circuit Court of Appeals relating to the printing of the same or portions thereof, and subject to such other orders as may be made in that Court, and that the same be transported to the Circuit Court of Appeals by the United States Mail and returned to this Court upon order of the Circuit Court of Appeals.

MICHAEL J. ROCHE

United States District Judge.

Dated March 20, 1941.

[Endorsed]: Filed March 20, 1941. [120]

[Title of District Court and Cause.]

STIPULATION

In the above cause it is stipulated that the time for filing and docketing record on appeal taken by the appellants from the interlocutory decree confirming plan of composition is extended to and including May 1, 1941. The size of the record is such and the nature of the case is such that the foregoing extension is necessary and proper.

Dated: March 24, 1941.

W. COBURN COOK

Attorney for Appellants

GEORGE R. FREEMAN

ELMER LAINE

Attorneys for Appellee

[Endorsed]: Filed Mar. 27, 1941. [121]

[Title of District Court and Cause.]

ORDER EXTENDING TIME TO
DOCKET APPEAL

In the above cause it is ordered that the time for filing record on appeal and docketing cause on appeal be extended to and including May 1, 1941.

MICHAEL J. ROCHE

Judge.

[Endorsed]: Filed Mar. 27, 1941. [122]

[Title of District Court and Cause.]

DESIGNATION OF CONTENTS OF
RECORD ON APPEAL

The appellants designate the following as those parts of the record as necessary for the consideration of the points upon which the appellants intend to rely in this appeal:

1. Petition for Confirmation of Composition (except Exhibit "B", for which there will be substituted Amendment to Exhibit "B").

2. Amendment to Exhibit "B" (which substitute for Exhibit "B" attached to petition.

3. Answer and Objections to Petition for Confirmation of Composition of Nelson Taylor, et al.

4. Amendment to Answer and Objections to Petition for Confirmation of Composition of Nelson Taylor, et al.

5. Notice of Time and Place for Hearing Petition for Confirmation of Plan of Composition of Indebtedness and Notice of [123] Time and Manner in Which Claims and Interests of Creditors of said District may be Filed or Evidenced.

6. Proof of Claim of Reconstruction Finance Corporation.

7. Proofs of Claim of J. R. Mason, Gilbert Moody and Nelson Taylor.

8. Reporter's Transcript of Proceedings and Testimony.

9. Exhibits introduced by Petitioner and Respondents.

10. Findings of Fact and Conclusions of Law and Interlocutory Decree with Disapproval endorsed thereon, also Disapproval filed separately.

11. Notice of Entry of Judgment.

12. Notice of Appeal with Clerk's entry of mailing endorsed thereon.

13. Minute Order of Court on date of hearing, November 18, 1940.

14. Stipulations and Orders made subsequent hereto, if any.

15. Statement of Points on Appeal and Assignment of Errors.

16. This Designation of Contents of Record on Appeal.

Dated: March 19, 1941.

W. COBURN COOK

Attorney for Appellants.

(Affidavit of service by mail attached hereto.)

[Endorsed]: Filed Mar 28, 1941. [124]

CERTIFICATE OF CLERK U. S. DISTRICT
COURT TO TRANSCRIPT ON APPEAL

I, Walter B. Maling, Clerk of the United States District Court for the Northern District of California, do hereby certify that the foregoing 124 pages, numbered from 1 to 124, inclusive, contain a full, true and correct transcript of certain records and proceedings in the matter of Provident Irri-

gation District, Bankruptcy No. 9078, as the same now remain on file and of record in this office; said transcript having been prepared pursuant to and in accordance with the Designation of Contents of Record on Appeal, copy of which is embodied herein.

I further certify that the cost of preparing and certifying the foregoing record on appeal is the sum of Nineteen and 35/100 (\$19.35) Dollars, and that the same has been paid to me by the attorney for the appellants herein.

In witness whereof, I have hereunto set my hand and the official seal of said District Court this 29th day of April, A. D. 1941.

[Seal]

WALTER B. MALING,
Clerk

By F. M. LAMPERT
Deputy Clerk. [125]

[Endorsed]: No. 9809. United States Circuit Court of Appeals for the Ninth Circuit. Nelson Taylor, J. R. Mason, Gilbert Moody, and N. O. Bowman, Appellants, vs. Provident Irrigation District, Appellee. Transcript of Record. Upon Appeal from the District Court of the United States for the Northern District of California, Northern Division.

Filed April 30, 1941.

PAUL P. O'BRIEN,
Clerk of the United States Circuit Court of Appeals
for the Ninth Circuit.

In the United States Circuit Court of Appeals
for the Ninth Circuit

No. 9809

NELSON TAYLOR, et al.,

Appellants,

vs.

PROVIDENT IRRIGATION DISTRICT,

Appellee.

STATEMENT OF POINTS ON WHICH
APPELLANTS INTEND TO RELY ON
APPEAL.

The appellants adopt as the points on appeal on which they intend to rely the statement of points appearing in the transcript, these points having been designated and filed in the District Court.

Dated: May 1, 1941.

W. COBURN COOK

Attorney for Appellants.

[Endorsed]: Filed May 2, 1941. Paul P. O'Brien,
Clerk.

[Title of Circuit Court of Appeals and Cause.]

DESIGNATION OF RECORD FOR PRINTING

The appellants designate the following as those parts of the record as necessary for the consideration of the points upon which the appellants intend to rely in this appeal and for printing, to wit:

1. The Transcript of Record on Appeal, the same being Transcript of Record pages 1 to 125 inclusive and which comprises the entire Record on Appeal exclusive of exhibits.

2. Claims.

3. Petitioner's Exhibit No. 1, No. 5, No. 6, No. 7, No. 8, and Respondent's Exhibits A and B.

4. As to Exhibit No. 4, print only one copy of the printed form and add thereto the following statement:

[Printer's Note: The statement referred to above is set forth as a part of Petitioner's Exhibit No. 4 and is not repeated here to avoid unnecessary duplication.]

W. COBURN COOK

Attorney for Appellants.

[Title of Circuit Court of Appeals and Cause.]

AFFIDAVIT OF SERVICE BY MAIL

Eleanor Julien, being first duly sworn, says:

That she is a citizen of the United States, residing in the City of Turlock, County of Stanislaus, State of California, where the mailing hereafter referred to took place; that she is over the age of twenty-one years and not a party to the above entitled cause; that on the 1st day of May, 1941, she deposited in the United States Post Office at Turlock, California, a true copy of the Designation of Record for Printing, the original of which is here-

unto affixed, enclosed in a sealed envelope with postage thereon fully prepaid, and addressed to Messrs. George R. Freeman and Elmer Laine, Attorneys at Law, Willows, California, the attorneys of record for the above named appellee. That there is a regular communication by mail between the place of mailing and the place so addressed.

ELEANOR JULIEN

Subscribed and sworn to before me this 1st day of May, 1941.

[Seal]

GILBERT MOODY

Notary Public in and for the County of Stanislaus,
State of California.

[Endorsed]: Filed May 2, 1941. Paul P. O'Brien,
Clerk.

[Title of Circuit Court of Appeals and Cause.]

STIPULATION FOR DISMISSAL OF APPEAL

It Is Stipulated between appellants and appellee that this appeal be dismissed by the Court without costs to either party as to the appellants James H. Jordan and A. J. Ronsse.

Dated: May 7, 1941.

W. COBURN COOK

Attorney for appellants.

GEORGE R. FREEMAN

ELMER LAINE

Attorneys for appellee.

It is so ordered.

.....
Judge of the Circuit Court
of Appeals.

[Endorsed]: Filed May 10, 1941. Paul P.
O'Brien, Clerk.

[Title of Circuit Court of Appeals and Cause.]

DECREE

Appeal from the District Court of the United
States for the Northern District of California,
Northern Division.

This Cause came on to be heard on the Transcript
of the Record from the District Court of the United
States for the Northern District of California,
Northern Division, and on stipulation of counsel for
respective parties for dismissal of the appeal herein
as to appellant James H. Jordan, and was duly
submitted.

On Consideration Whereof, it is now here ordered,
adjudged, and decreed by this Court, that the appeal
in this cause as to appellant James H. Jordan be,
and hereby is, dismissed, without costs to any party.

[Endorsed]: Filed and entered May 12, 1941.
Paul P. O'Brien, Clerk.

